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REPORT OF BIKANER BANKING ENQUIRY COMMITTEE.

PART I.

CHAPTER I.

INTRODUCTORY.

Appointment.—The Government of His-Highness the Maharajah of Bikaner issued orders on the 9th November, 1929. (*vide* their number 3136-3156) constituting a Banking Enquiry Committee to enquire into the Banking conditions in Bikaner State on the lines followed by the Provincial Banking Enquiry Committees formed in British India. This order was issued by the Prime Minister in response to an invitation issued by the Hon'ble the Agent to the Governor-General in Rajputana to His Highness' Government under instructions from the Government of India in reply to the Prime Minister's own suggestion to have the Indian States included in the inquiry and represented on the Central Committee of Enquiry.

Copy of the order of appointment of the committee.—"It is desirable to have an enquiry into the banking conditions prevailing in the State so that the conclusions arrived at by the local committee may be communicated to the Government of India, Central Banking Enquiry Committee and an opportunity sought for joint deliberations with the Central Enquiry Committee.

For that purpose the following gentlemen are invited to form themselves into a committee and conduct investigations into Banking conditions prevailing in Bikaner State. The Committee will be composed of official as well as non-official members :—

1. Rai Bahadur Lala Jaigopal, Revenue Commissioner, Ganganagar (Chairman).
2. Rai Bahadur Pandit Harihar Nath Mattoo, Revenue Commissioner, Sadar, Bikaner.
3. Rai Bahadur Lala Nihal Chand, Accountant-General, Bikaner.
4. Rai Bahadur Seth Shivratan Mohita, Merchant.
5. Seth Ramratandas Bagri, Bikaner.
6. Mr. B. K. Bhargava, Store Superintendent (Secretary).

The two Co-operative Inspectors, Messrs. Ratiram and Saini should be asked to prepare notes on the questionnaire, as a basis for discussion and examination of witnesses.

The Chairman may be present only at important meetings of the committee, so as to leave him time for his own legitimate work. Three members will be necessary to form a quorum for the committee.

The committee may examine witnesses and local Seths and Bankers should be requested to help the Committee of Enquiry. Rai Bahadur Pandit Harihar Nath Mattoo will preside in the absence of the Chairman.

The draft questionnaire prepared by the Accountant-General should be tentatively adopted ; but new questions relevant to the enquiry and immediately connected with the scope thereof may be suggested by the Chairman for

inclusion in the questionnaire. The Secretary should take up the work of circulating the questionnaire at once and work under the orders of the Chairman.

A report of the enquiry will be expected by the end of February, 1930."

2. This order was received by the Revenue Commissioner, Sadar (Rai Bahadur Pandit Harihar Nath Mattoo) and the work preliminary to the formation of the committee and drafting of the questionnaire, etc., was started by the Secretary on the 14th November, 1929.

3. The two Co-operative Inspectors Messrs. Ratiram and Saini were asked to send in their notes. The first meeting of the committee was held on the 5th December, 1929, in which the preliminary note of the Secretary was read and as the interests of the various communities of the State were not sufficiently represented by the personnel of the committee, the Chairman with the permission of the Prime Minister and a resolution of the committee co-opted the following gentlemen as members of the committee and invitations were issued to them :—

1. Thakur Mohan Singhji of Tiandesar, Public Works Secretary, Bikaner State, Bikaner.
2. Seth Ramgopal Mohta, Bikaner.
3. Sardar Bahadur Dr. Kartar Singh, Retired Assistant Surgeon and Chaudhri of 19 Z and T, Ganganagar.
4. Chaudhri Harichand, Vakil High Court, Ganganagar.

4. Rai Bahadur Pandit Harihar Nath Mattoo resigned his appointment as Revenue Commissioner, from the State and his successor, Mr. Mathura Prasad, B.A., was appointed to fill in his vacancy, *vide* Chief Secretary's letter No. 3742-3760, dated the 31st December, 1929.

5. *Procedure and itincrary.*—The Chairman of the Banking Enquiry Committee approved the final draft of the questionnaire which was given to the Press in English and duly translated in Hindi for publication on the 8th December, 1929. The Government Press, Bikaner, printed the questionnaire which was issued by the office of the Secretary of the Committee to 457 persons both in Hindi and English in all the Nizamats and Tehsils of the State.

6. The Prime Minister received another communication from the Hon'ble the Agent to the Governor-General in Rajputana regarding the conference of the Banking Enquiry Committees' Chairmen and Secretaries from all the Provinces and Indian States. The Chairman and Secretary of the Bikaner Banking Enquiry Committee were accordingly directed by the Prime Minister to proceed to Calcutta to join the Banking Committees' Conference and in response the Chairman and the Secretary of the Bikaner Banking Enquiry Committee proceeded to Calcutta on the 30th December, 1929. The conference concluded its sittings on the 4th January, 1930, and the Chairman and Secretary returned to Ganganagar and Bikaner on the 8th January, 1930.

7. *Work done.*—The committee received replies from 66 persons out of 457 questionnaires issued by the committee and the names of those gentlemen who subscribed their memoranda are given in appendix "A."

8. The committee toured in the districts and visited Ganganagar, Suratgarh, Sardarshahr, Ratangarh, Sujangarh and Bhadra and examined 207 witnesses orally from all classes of people of those places. After return of the Chairman and Secretary of the committee from Calcutta, the committee considered the desirability of instituting intensive economic enquiry into certain villages of the State, and accordingly the various Nazims were addressed through the Revenue Minister, Bikaner State. The Vice-Chairman and the Secretary of the Committee visited village Dariba, 14 miles from the Tal Chhapar Railway Station, accompanied by the Nazim of Sujangarh. The enquiry was conducted on the spot to be able to receive first-hand information of the condition of the village Dariba and the village life in Bikaner State. The reports of Village Economic Enquiry were received for the following villages :—

1. Dariba	.	.	.	} Nizamat Sujangarh.
2. Momasar	.	.	.	
3. Kunichani.	.	.	.	
4. Janana	.	.	.	} Nizamat Rajgarh.
5. Ninan	.	.	.	
6. Karanpura	.	.	.	
7. Patwa	.	.	.	
8. Ramgarhia	.	.	.	
9. Sardargarhia	.	.	.	

9. The committee also got an enquiry conducted into the agricultural and non-agricultural indebtedness for the Tehsils of Suratgarh, Hanumangarh and Anupgarh also the Tehsil of Sujangarh for agricultural indebtedness only and non-agricultural for the villages of Dariba, Sujangarh and Chhapar.

10. The committee held 12 meetings which were attended by various members of the committee, and during the course of their examination of witnesses, the committee elicited as much information as was practicable from various witnesses who appeared before the committee which will throw light of an important nature on the future re-organization of the credit machinery of the State.

11. As the time allowed was very limited for such a wide enquiry, more extensive enquiry could not possibly be instituted in certain important matters which otherwise would have been possible. The committee, however, on the whole, has done sufficient work in understanding the real need of the peasants, the money-lenders, the exporters and the consumers by examining witnesses from amongst all classes of the population of the State.

12. *Cost of enquiry.*—The cost of enquiry into the banking conditions as instituted by this committee amounts to Rs. 3,000 inclusive of the salaries of the clerks, peons and travelling allowance and printing but excluding the emoluments of the officers who drew their salaries from their substantive appointments. The whole expenditure has been met from the State under His Highness' Government orders.

13. *Difficulties.*—The committee had to encounter various difficulties, *e g.*, the non-existence of statistics in many matters, the unwillingness on the part of the indigenous bankers and money-lender to say anything about their capital,

resources, loans, reserve and the like, the non-existence of material for determining the exact amount of their debt. We have, however, been able to arrive at a fairly accurate conclusion in all these matters and on the whole the difficulties have been overcome.

CHAPTER II.

SPECIAL ECONOMIC FEATURES OF THE STATE.

A.—Rural.

14. *Geographical position and boundaries.*—Bikaner is lying in the extreme north of the Rajputana Agency between the parallels of $27^{\circ}12'$ and $30^{\circ}12'$ north latitude and $72^{\circ}12'$ and $75^{\circ}41'$ east longitude. It is bounded on the north and west by Bahawalpur State; on the south-west by the Jaisalmere State; on the south by the Jodhpur State; on the south-east by the Jaipur State; on the east by the Loharu State and Hissar (British territory, Punjab), and on the north-east by Ferozepore (British territory).

15. *Area and nature of the soil.*—The State is the second largest in Rajputana in point of area, which is 23,317 square miles. The State in its northern portion is fertile and the Canal area which is now irrigated by the Gang Canal is being gradually developed and the rest of the area produces in years of good rainfall both *kharif* and *rabi* crops and only awaits irrigation to make it prosperous. The remaining portion is for the most part sandy and undulating, while the south-western tract lies within the Great Indian desert. A small range of rocky hills crops up only in the south-eastern region of the State.

16. *Population.*—The population of the State, according to the figures available from the Census Report of 1921, is 6,59,685; whilst that of the Bikaner City is 69,410. The mean density of population for the whole State is 28 persons per square mile, which is undoubtedly small, affected as it frequently is by a large exodus, in years of famine and scarcity of people who migrate to the adjoining and more fertile tracts, many of whom return after the lapse of several years. With the advent of the Gang Canal and as a result of the scheme of colonization of the area to be irrigated, the population is increased at least by 50,000 men and at least 500 new villages have been formed. If the Bhakra Dam project also materialises, the State will fully be able to support a much denser population.

17. As regards the composition of the population, according to the Census Report of 1921 it is distributed as follows:—

1. Hindus	... 5,52,108	5. Aryas	... 784
2. Musalmans	... 74,748	6. Christians	... 191
3. Jains	... 23,555	7. Parsees	... 11
4. Sikhs	... 8,218	8. Animists	... 10

18. The Jats amongst the Hindus are numerically superior to all the other castes in the State; they are about 24 per cent. of the total population.

19. *Streams and irrigation.*—The Gang Canal is the most important work of irrigation in the State which has cost the State a sum of Rs. 3,15,00,000 as

capital expenditure. This is a branch of the Sutlej Valley Project which will irrigate a very large tract lying in the Ganganagar Division.

20. The other irrigation works are :—

- (i) *Katli River*.—This is not a perennial river, and water flows when there is sufficient rain. When it is inundated there is sufficient water to irrigate the adjoining fields.
- (ii) *Western Jamna Canal*.—This canal runs westward across the Hissar border as far as Bhadra. Practically only waste water comes down it and the supply for irrigation purposes is uncertain. This canal irrigates a very small area.
- (iii) *Ghaggar Nali*.—This is an inundated stream and the Nali water after the rains enters the Tibi Pargana of the State and irrigates also a few villages of Hanumangarh Tehsil.
- (iv) *Ghaggar Canal*.—This is also not a perennial canal, and the State gets water through the canals only when there are sufficient rains.
- (v) *Irrigation Wells*.—They are constructed by the State for the cultivators in various Tehsils of the State and use of the water is made by the cultivators whenever possible or desirable.
- (vi) *Bunds*.—There are two important bunds (a) Madh bund and (b) Pilap bund for irrigating the fields and when there is sufficient rain, the bunds render good service to the cultivators.

21. The Bhakra Dam is under contemplation and when this is completed a part of Suratgarh Nizamat as well as the Tehsils of Nohar and Bhadra will be under command for irrigation.

22. *Rainfall*.—In the absence of artificial irrigation excepting the great Gang Canal, and with an almost imperceptible area capable of being benefited by natural floods, the rainfall is of course the natural factor of prime importance in the agricultural economy of the State. It is difficult to give any exact statistics of the rainfall, but the average rainfall varies between 10" to 13" per year.

23. *Agricultural and pastoral population*.—The agricultural and pastoral classes of the State comprise according to the last Census Report 4,91,694 people in the State out of a total population of 6,59,625 people. The remaining number of people live in towns and cities and carry on urban trades and occupations.

24. *Principal crops*.—The principal *kharif* crops in the *barani* area are :—

- | | |
|------------|-----------|
| 1. Jawar. | 4. Gwar. |
| 2. Bajra. | 5. Moth. |
| 3. Chaula. | 6. Moong. |
| 7. Til. | |

and the *rabi* crops are :—

- | | |
|-------------|-------------|
| 1. Wheat. | 3. Gram. |
| 2. Barley. | 4. Gochani. |
| 5. Baijhar. | |

25. -In the irrigated area the principal additions are :—

1. Cotton.
2. Sugarcane.
3. Maize.

26. In addition to these a high knowledge of intensive cultivation is shown by the large production of watermelon (*matira*) which is though commercially not much valuable for export is considered as one of the chief products of the region. The watermelon is most valuable for being cut into slices and dried in the sun, it is stored up for future use when vegetable is scarce or in times of famine, on which they always count. Besides these *katchri* is another important vegetable produce.

27. *Methods of agriculture.*—As would be expected due to natural circumstances, the agricultural methods employed in the State are of the simplest description in the *barani* area. For the *kharif* crop only one ploughing is done and the seed is sown at the same time with the seed drill attached to the rear of the plough. In the light and more sandy soils the labour of ploughing is very small. In the more loamy soil the area sown is usually less, but more time is generally available for the tillage of the heavier soil as moisture would be better retained in it. More trouble is generally taken with the cultivation of the *rabi* crops in the more loamy soil. The land receives two preliminary ploughings in directions transverse to each other, and after each ploughing is harrowed and levelled with a flat board, the seed is sown with the drill at the third ploughing. The canal area is scientifically tilled and sown and the Agriculture Officer guides the operations in many directions.

28. *Cattle.*—From the latest available figures the number of cattle in the State may be stated to be as follows :—

1. Bulls including branded <i>sands</i> and <i>godhas</i>	...	18,502
2. Bullocks	...	1,00,057
3. Cows	...	3,84,273
4. Young ones both male and female	...	2,84,562
5. Sheep	...	10,60,641
6. Buffaloes male	...	8,635
7. Buffaloes female	...	62,253
8. Young ones both male and female	...	47,205
9. Goats	...	3,46,528
10. Horses	...	1,760
11. Mares	...	2,053
12. Donkeys	...	8,344
13. Camels	...	1,35,994

29. With this large flock of cattle, the pastoral industry of the State is very important in consequence. Cattle are kept in most parts for supply of milk and to be used as beasts of burden; wherever possible. Religious scruples prevent the people killing them for food. The presence of salt in the soil, preserved owing to scarcity of rainfall in this State is said to be favourable for cattle. Hides and skins form a valuable export.

30. The importance of cattle is due in a great measure to the large number of excellent fodder grasses for which the Bikaner prairies are famous and which

in years of good rain or fair rainfall make it one of the best grazing grounds in India. The principal grasses arranged in order in which they are adapted for grazing are somewhat as follows :—

- (i) Dhaman
- (ii) Sevan.
- (iii) Bhurat.
- (iv) Ghantil or Chimbar, and Bhibaria
- (v) Kheo, Kar and Baru.
- (vi) Bur, Murat, Duchab, Lampri.

31. Income is derived from cattle in various ways of which the principal are the sale of the *ghee* and young stock of cows and buffaloes, the sale of sheep's wool, plying for hire the camels and sale of their wool and young. As far as any rough estimate is possible the average profits from a cow may be put at from Rs. 15 to Rs. 25 per annum and from a buffalo at from Rs. 80 to Rs. 100. Bikaner is famous for its wool, and the profits from its sale are considerable. From enquiries made, the yield of wool per sheep may be estimated to be 5 lbs per year. The average price of wool is Rs. 40 per maund in the towns and Rs. 30 in the villages and the average income may be estimated to be Rs. 2 in the towns and Rs. 1-8-0 in the villages per sheep per year.

32. It is impossible to form any satisfactory estimate of the average profits derived from camels. The camel is used in a variety of ways, and the agriculturist looks on it as a member of his family more than as a dumb animal. The camel is used as a domestic beast of burden to carry water, grain, etc., and as a pack animal to carry goods for hire ; he is harnessed to the plough and is far more useful than a bullock would be in the light sandy soil ; it is used as a riding animal and its owner makes fair profits from the sale of camel's young and its wool. It is generally regarded as a source of larger and more certain income than the cow or sheep.

33. *Land tenures.*—There are four kinds of lands in the Bikaner State :—

- (i) *Khatedari lands*—These lands are held by cultivators under perpetual tenancy without any right of sale, mortgage or transfer.
- (ii) *Patta and Bhogta lands.*—These are the lands given to Pattedars and Bhogtas in Jagir by the State.
- (iii) *Private ownership lands.*—These are the lands in Tibi Pargana and Canal colony with occupancy and proprietary rights and are both heritable as well as alienable.
- (iv) *Land for temporary cultivation.*—These lands are given for temporary cultivation to persons desiring it on a certain fixed land revenue determined according to the quality of the land for a certain period generally for four years.

34. *Nature and sizes of holdings.*—From the enquiries made it has been ascertained that the sizes of holdings under the Khatedari rights are between 64 to 120 *bighas*, while under the occupancy and proprietary rights the average holding has been estimated to be 75 *bighas*.

35. *Land and tenure values.*—The land in the Nizamats of Sujangarh, Bikaner and Rajgarh and part of Suratgarh is State land and therefore no question as to the value of land arises. The land in the Tibi Pargana and the Canal colony is saleable, transferable and can be mortgaged. The value of land in the Tibi Pargana is Rs. 30 per *bigha*, while in the canal Colony it is from Rs. 150 to 200 per *bigha* ($\frac{5}{8}$ th of an acre).

36. The tenure values (*i.e.*, land revenue to the State) range from 0-2-6 to 0-5-0 per *bigha* of land in *barani* districts while in the Canal colony it is 0-7-0 per *bigha*.

B.—Urban.

37. In the Census Report of 1921 the following places have been classed as towns to which Ganganagar and Hanumangarh will be added this time :—

			Population.
1. Bikaner	...	...	69,410
2. Churu	...	...	16,932
3. Sardarshahr	...	...	14,348
4. Ratangarh	...	...	13,468
5. Sujangarh	...	...	12,520
6. Rajaldesar	...	...	6,573
7. Sri Dungargarh	...	...	6,382
8. Reni	...	...	5,785
9. Rajgarh	...	...	5,621
10. Bidasar	...	...	5,165
11. Nohar	...	...	5,137
12. Suratgarh	...	...	3,592
13. Bhadra	...	...	3,058

PRINCIPAL INDUSTRIES.

38. (i) *State owned industries.*—There are no joint stock enterprises in Bikaner State and nearly all the industries in the State are either owned by the State or are run by private individuals either individually or in partnership. The chief industries are :—

1. *Palana coal.*—It was discovered in 1896 while sinking a well at Palana about 14 miles south of the Capital. Operations were started in 1898, and the colliery was connected with the Railway in 1899 by a siding 10 miles long. The seam is 20 feet in thickness, 250 feet below the surface and 50 feet above water level. More than two million tons of coal are said to exist and only in one direction has the seam shown signs of disappearing. The coal is lignite of inferior quality, but when mixed with Bengal coal is found satisfactory for boiler use. It is largely used by the State Departments, brick and lime kilns. The Railway Board have reduced the Railway freight on certain lines, *e.g.*, Bikaner State Railway, Jodhpur Railway, Bombay Baroda and Central India Railway and North Western Railway. The State at the instance of Minister-in-charge of Commerce and Industries has also reduced the coal rates for wholesale consumers of coal and it is expected that

this industry will very soon flourish and will become a valuable source of cheap supply of coal for adjoining States and British districts. Experiments are in progress for coal distillation, so as to reduce its volatile ingredients and make it suitable for binding into briquettes. The by-products would also have an economic value.

2. *Fuller's earth* (Multani Mitti).—This is found in large quantity at Palana and Madh. The mines are leased out to contractors on yearly contract basis.
3. *Gypsum* (sweet lime).—There are valuable deposits of gypsum at Jamsar and licensed contractors are allowed to work on royalty basis on the fields.
4. *Sand stone*.—There are valuable stone quarries at Dalmera and worked by contractors to whom they have been leased out.
1. (ii) *Private Industries*.—*Glass and pottery works*.—The factory has just commenced work, and the opening ceremony was recently performed by Sir Manubhai N. Mehta, Kt., C.S.I., M.A., LL.B., Prime Minister, Bikaner State.
2. *Carpet factory*.—A carpet factory has been projected in Bikaner on a large scale.
3. *Wool pressing factory*.—This is under construction and is about to start work. This will prevent unbaled wool going out to Fazilka and Beawar and re-exported from there.
4. *Cotton ginning factory*.—There is a cotton ginning and baling factory at Sri Ganganagar and three others are being started this year.

39. There are other minor industries in the State which are doing good work and a description of which has been given in the chapter of industries.

CHAPTER III.

GENERAL DESCRIPTION OF EXISTING CREDIT AGENCIES.

40. In the Bikaner State the existing credit agencies are :—

- (i) Indigenous bankers and money-lenders.
- (ii) Co-operative societies.
- (iii) Bikaner Government. (*Takavi* loans advanced by the State).

41. There are about 4,500 indigenous bankers and money-lenders working as credit agencies in the whole length and breadth of the Bikaner State. They play a very important part in the rural and urban economy of the State. Next to them come the co-operative societies wherever they have been started. The Government of Bikaner advances *takavi* whenever applied for by any cultivator in any Tehsil or Nizamat of the State.

42. The agriculturists borrow money from money-lenders, co-operative societies and the Government by way of *takavi* loans. The indigenous bankers and money-lenders lend to farmers either upon their personal surety or upon the security of crops or a personal guarantee or upon definite collateral securities.

It is in the absence of any other competent credit machinery, a system particularly well-adapted to the tastes and general disposition of the farmer; it is secret, simple and elastic.

43. These indigenous bankers and money-lenders as has been explained in another chapter do combine business of commission agency, corn and cattle merchants. These people, who have large connections in cattle, corn, hay and sheep markets, sometimes allow cultivators to buy live-stock, corn, seed and hay on credit on conditions that the money-lender takes cultivator's produce when the crops are ripe; in addition, the farmer is charged interest on his account. This often results in the farmer having to buy in the dearest market and sell in the cheapest; he cannot choose his own time and must accept the creditor's price for his produce. The actual financial basis of such arrangement varies according to the standing and character of the debtor and there is seldom any fixed basis of terms.

44. The money-lenders often make advances on standing crops of every kind. Sometimes the cultivator agrees only upon a price for the cultivation, a sum including his profit; the money-lender finds the seeds and other necessities of the field. The cultivator is then guaranteed a certain small profit. In lending money in this manner these people are naturally more concerned with their own business than with assisting the cultivator, but it cannot be denied that a very material measure of assistance is given by these money-lenders, nor is it true that it always leads to victimisation of the farmer. The terms of interest are seldom reasonable. The cases of victimisation do frequently occur, it is also often the case that the other conditions attaching to such loans are also unduly burdensome and heavily onerous.

45. The co-operative credit societies in this State do not grant long term loans. Fifty per cent of the loans granted are recoverable in (*qists*) instalments terminating with the period over which repayment is spread. The loans granted by the co-operative credit societies are generally for the following purposes:—

1. Payment of land revenue.
2. Purchase of seeds.
3. Purchase of plough animals.
4. Purchase of milch cattle.
5. For expenses of marriages.
6. Trade.
7. Repayment of old debts.
8. Miscellaneous expenditure.

46. Situated as they are the co-operative societies are incapable of meeting all the demands of their members and they have to go to the money-lenders. The societies are yet in their infancy and have not got enough of working capital. The societies mostly depend for their resources on financing agencies like the co-operative union, the Government and the depositors.

47. The co-operative department has a sum of Rs. 1,41,184 received on deposits and a sum of Rs. 1,12,500 as loans from the Bikaner Government. The rates of interest paid by the department are as follows:—

1. Six per cent interest per annum for deposits for 6 months to one year.
2. Seven per cent for sums exceeding Rs. 3,000 or for a period of three years.

3. Seven and a half per cent for sums of Rs. 3,000 or more if they are for a period of five years.

48. The interest is paid six monthly on all deposits received from the depositors or on the quasi-trust departmental or quasi-trust funds.

49. The rates of interest charged by the union from the co-operative societies is $9\frac{1}{2}$ per cent and by the societies from their members it is $12\frac{1}{2}$ per cent per annum. The union does not insist on any security for the loans granted to the societies, as the societies have been started with unlimited liability, while the societies take from their members two personal sureties. It has been stated that the loans issued by the societies to the members are fresh and without any embezzlement. Every member is supplied with a pass book by the society in which all his transactions of advances and repayments with the society are entered. For these reasons the member is completely satisfied with the dealings of the society. On the other hand, it has been stated that the debts of Mahajans are mostly ancestral. Mahajans are not in the habit of giving any receipts for the repayments by agriculturists, which should now be introduced. It is, therefore, evident that the co-operative societies wherever they have been started have been relieving the agriculturists from the burden of undesirable debts.

50. The Bikaner Government advances loans as *takavi* whenever there is an application for loan from any agriculturist for seed or purchase of cattle. A regular sum is provided from year to year for the purpose in the State Revenue Budget.

PART II.

CHAPTER IV.

CREDIT FOR AGRICULTURE, MINOR INDUSTRIES AND INTERNAL TRADE.

A.—Causes, nature, and distribution of debts.

51. *The inevitability of agricultural debt.*—There are various causes why agricultural debt, situated as the industry is, cannot be avoided. The agriculturist's farm is an enterprise which is not financed or managed on the joint stock plan. Theoretically speaking, it is a family industry. It depends mainly on the resources and administration of one man. The Bikaner agricultural community taken as a whole is most backward in point of education, and therefore their operations are carried on only with hereditary instinct ; consequently they have no inventions, no initiative and no resources other than the land-lord, the Mahajan and to some extent the co-operative societies. Credit and the machinery of borrowing and lending now form an integral part of the industrial life of all civilised countries ; but in almost every agricultural country credit for agriculture has come to be treated as a special problem requiring in many cases special organisation and generally special legislation. Superficially, many of the conditions which surround agricultural enterprise strike the most casual observer as placing it in sharp contrast with other business—its extended character, its comparative remoteness from the towns, and the primitive nature of its process.

52. We have no space to mention at length the financing process of other industries but it is easy to perceive in the evolution of industry a sharp distinction between the economic structure of modern agriculture and that of most other forms of productive industry. The forces leading to centralisation have left agriculture practically untouched. As a producer, seller and financier the cultivator has remained mainly dependent on his own resources or borrowed capital. To agriculture the savings of the general community have remained relatively inaccessible.

53. We may state, therefore, that the special problem of agricultural credit has its roots in the difference in structure between farming and joint stock industry. It is not open to the cultivators to "capitalise the future" or to borrow on "estimated earning power" in the manner in which it is open to corporate industry ; there is no commercial measure of these things in agriculture acceptable to the ordinary investor. Where, therefore, manufacture raised its capital by subscription, the cultivator must raise much by his credit. The cultivator except in the Tibi Pargana and Ganganagar colony have no proprietary rights and, therefore, the money raised is either on blank credit or on the mortgage of moveable property, *e.g.*, cattle, sheep, crop and ornaments. Every type of bank except the co-operative societies has refused to advance money to the cultivators and the average cultivator has to approach his ancestral money-lender ; over and above this, the tenant farmer system has behind it a long tradition in

the partnership between the land-owner, State and the tenant, and in times of good years it is a system which on the whole has worked satisfactorily. The position, prestige and income of landed families have depended mainly on the wealth yielded by the land they owned, and land-owners have consequently been ready to lay out money in equipment and upkeep of their farms. But in times of depression due to famine, failure of crops and locust pest or any other cause, land-owners have either by choice or necessity, sought more remunerative fields for investment, and thus the farm lands have been less attended during famine years and the only resort of the agricultural industry that has remained open is the money-lender—the village Mahajan, to whom the cultivator has always repaired for his necessities of life, seed, manure, plough and cattle and as there has been no competitor of the village money-lender, the rate of interest has been invariably very high—rather exorbitant—an interest which is much higher than the return from the field for the investment made.

54. The Bikaner agriculturist is even to-day as primitive as he was two centuries ago with regard to the social customs that he is following, and hereditary clientele of priests and this makes a drain on his resources. In addition to this there is the uncertainty of rain, occasional repetition of famines and all these contribute towards the inevitability of agricultural debt. We may, however, state that with the advent of the Gang Canal and the settlement of different class of people, it is hoped that a part of the State will be saved from these climatic vicissitudes.

55. *Principal causes of agricultural debt.*—This is a very important question and needed more attention than we could give because of the short time at our disposal. We have made an economic enquiry into many villages and have been able to ascertain that the causes of agricultural debts are :—

- (a) Repayment of ancestral debts,
- (b) Marriage, *ausar* (death ceremony) and other social occasions,
- (c) Famine and other kinds of distress which lead to the failure of crops,
- (d) Seed, plough and manure,
- (e) Litigation,
- (f) Purchase of cattle, and
- (g) Growth of the debt with compound interest, interest not having been paid.

56. (a) In our enquiry we have found that the agriculturist has ancestral dealings with the money-lender of his village and a large part of his debt is inherited. On the death of an individual it is not the custom for his assets to be realised and to meet the debts in such proportion as may prove practicable, the remainder being thereby rendered irrecoverable, but such property as he may die possessed of passes to his heirs who also shoulder his debts. As a result, accumulation of compound interest swells the total burden. The ignorant men do not know that the court is empowered to give them relief in cases where no property has been inherited but almost in all cases they have executed fresh bonds to the money-lender. The cultivator for fear of the break of relations and out of traditional instinct as also ignorance does not ordinarily go to the Law Courts unless forced to do so by the money-lender and has to pay the money when he is in a position to do so,

(b) Hindu customs and scruples which are deep rooted in their veins and the social status and customs, as also the fear of the *pancha* of the community, the insistence to perform a particular social function in a particular way, and with particular pomp and glory, force the man to raise the loan either to provide a dowry for his daughter, a caste dinner and the like, or for the death dinner (*ausar*) and funeral expenses of the departed or for similar other social functions. This is all an unproductive loan and the whole amount thus raised is generally spent within a week or so, with the result that the cultivator becomes a debtor for an unproductive loan which he may not be able to repay, and these loans are reported to be carried forward from year to year and handed over from father to son.

(c) The cultivators have been forced to raise loans when there has been no rain or the crop has been spoiled because of certain other reasons, and in that case when they have nothing to sustain themselves, the only alternative is to resort to borrowing. This also becomes an unproductive loan in so far that they do not resort to manual labour during famines keeping in view their social status and thus they waste their time and energy.

(d) The loan for seed and manure is taken at the harvest time both in cash and kind from the money-lenders which is generally repaid when the crops are ready. The loan becomes burdensome when crops fail for one reason or the other.

(e) The cultivator having regard to his position and fear of the money-lenders does not come into the Law Courts, but when he is sued by his creditor he has to raise a loan to defend himself. Such loans are generally raised at exorbitant rates of interest.

(f) Loans are frequently taken for the purchase of cattle and this class of loan is equally as large as for purchase of seed and manure.

(g) The Sahukar carries forward the unpaid balance of the cultivator's account every year and opens a new account in a fresh ledger, and as the cultivator is generally unable to repay the whole amount in any one year or season, the amount is increased by interest additions, and during failure of crops for more than one year, the amount mechanically swells to a very great amount.

57. The term of loans taken is generally for one year or till the crop has been reaped, but the repayment of the loan depends on successful crop or otherwise. If the crop fails or there is a famine, the loan is not repaid and is usually carried forward to the next year by the money-lender together with interest added thereto. The medium of loan is both cash or kind. The proportion of such loans may be from 2 to 1.

58. The volume of agricultural indebtedness as has been arrived at by us after a close economic enquiry into nine villages and an indebtedness enquiry in the Tehsils of Hanumangarh, Anupgarh, Suratgarh and Sujangarh comes to about Rs. 174 per head. While the non-agricultural indebtedness comes to about Rs. 290 per head. It is certainly a difficult thing to arrive at any exact figure, but this amount may be safely relied upon with possibly slight variations.

59. *Different sizes of holdings.*—From the economic enquiry conducted into nine villages in various Nizamats of the State, and from the figures available,

we estimate that the average size of holdings is between 64 *bighas* to over 100 *bighas*, while in the Ganganagar colony it is reduced to 75 *bighas*.

B.—Nature and Distribution of Credit.

60. *Sources of loan.*—There are different classes of money-lenders working in the State here. Some deal purely in cash, while some advance loans in kind as well. There are well-to-do land-holding classes, *e.g.*, the Rajputs, Jats and the Sikhs who do money-lending in their villages. There is again one more class of money-lenders. These are the 'wandering money-lenders' generally called (*Banjaras*). They have their own special methods of working.

The professional money-lenders who deal in cash only, are very few and grant loans in cash at the lowest rate of interest of $18\frac{3}{4}$ per cent. per annum and rising to anything upto 75 per cent. per annum. The loans are advanced either through a *tamasuk* ; Ticket *bahi* ; mortgage or pawn of moveable articles or cash credit on the promise of repayment when the next harvest is ready.

61. The second class of creditors are the professional money-lenders as well as the well-to-do land-owners who give loans both in cash and kind. The rate of interest charged by this class of creditors varies in different cases, and they may be enumerated briefly as below :—

1. Grain loan.—Grain in certain quantity at certain market rate current during those days is given debiting the cost in the cultivator's *khata* and interest at an agreed rate is charged from him.
2. Grain loan.—In other case, grain is given and the borrower is required to return one and one-quarter of the original quantity purchased.
3. Grain loan.—The third system is to give grain, charge interest upon it after turning it into cash at the current market rate and is recovered at the harvest time with interest added thereto in kind at the market rate prevailing during the crop days.
4. Grain loan.—The fourth kind of loan given is in kind on the understanding that when the crops are ready, the creditor and the cultivator will share the produce in certain proportion. This is called *batai* system of granting loans.
5. Loans in kind.—There are certain money-lenders who are called wandering money-lenders (*Banjaras*). They visit the villages from the adjoining towns at frequent intervals laden with salt, chillies, tobacco, and the like goods, and sell the wares to the cultivators on credit. They turn this debit into loan immediately they part with their wares to the cultivators. They turn the transaction into cash loan in their accounts books (*bahis*) and generally charge interest at $18\frac{3}{4}$ per cent per annum. When the crops are ready, they again appear before the cultivators with their accounts and realise their dues either in cash or take away grain at the market rate prevailing during the harvest days. The same is true of wandering merchants of cloth and other necessities of life (*pherivalas*).
6. Cattle loan.—There are certain class of merchants who lend money for the purchase of sheep and sometimes cattle on the understanding

of giving away the male issue to the creditor and keep the female issue to himself. The rate of interest on such loans is usually higher, but is not grudged by the cultivators because of the small expenditure they have to incur and the good pasture land that they have got all over the State for grazing sheep and cattle flocks.

7. Cash loans.—They are availed of for the usual purposes where other loans are either not taken or not available.

62. Cash loans are granted by the co-operative societies and Government as *takavi* while other classes of loans including a very large portion of cash loans is taken from the indigenous bankers and money-lenders.

63. The period of loans advanced is generally on the promise of repayment when the grain from the fields is taken out or when the crops are ready. But the repayment largely depends upon the condition of the crops and the value and purpose of the loans taken. Productive loans are generally repaid when the crop is reaped in good condition while loans taken for unproductive purposes run for a long time and when there are either successive failures of crops or when the amount swells to big figures the loan in those cases runs for long periods and in certain cases is handed over from father to son.

64. There are no contracts for long term loans, but in case of failure of crops or inability to repay for certain other causes the loan automatically becomes a long term loan. The loan is usually granted either for a crop season or one year, but are allowed to run for six years, allowed by the statute of limitation in the State.

65. We made searching enquiries, but are not in a position for want of information forthcoming to state the exact amount of debt belonging to any class of money-lenders. It may, however, be stated with a reasonable amount of accuracy that the professional money-lenders are creditors to the extent of 77 per cent., rich Zamindars 20 per cent., Bikaner Government for *takavi* loans $\frac{1}{2}$ per cent., Co-operative societies 1 per cent, and wandering money-lenders $1\frac{1}{2}$ per cent.

66. The Government of Bikaner grants loans as *takavi* only for seed, cattle and ploughs. The rate of interest charged by the Government is 6 per cent. per annum. The co-operative societies though restricting their operations largely to seed, cattle and manure, etc., do sometimes grant loans for unproductive purposes to the cultivators. They charge interest at the rate of $12\frac{1}{2}$ per cent. per annum. The wasteful loans are granted as a matter of necessity in order to save the cultivators from again going to the money-lenders.

67. There are no relations between the Government and the village money-lenders, but the relations of the co-operative societies and the money-lenders are of the worst kind. The one aim of the money-lenders has been to wreck the working of the co-operative societies and it has reliably been given to understand that a regular propaganda is going on since the inception of the co-operative movement in the State.

C.—Relation of creditor and debtor.

68. The co-relation between the village money-lender and the cultivator on the one hand and the *aratia* and the cultivator on the other hand is so powerful that any disorganisation of the present machinery will expose the money-lender,

aratia and the cultivator all to untold difficulties. The village money-lender has been styled by some writers as a parasite upon industry, while by others he has been designated as a village capitalist. He is both a capitalist and a usurer in varying degrees, but his function is so important looking to the present situation of the credit machinery that he cannot be dispensed with immediately or so easily without causing a wide-spread uneasiness amongst the agricultural community of the State as a whole. The relation between the creditors and debtors of this class of people is very close, *i.e.*, one cannot do without the other, and we wish to urge for due recognition that the money-lender advances to the cultivator when others would not like to do so, *e.g.*, money-lenders advance to the villagers for the support of themselves and their families during the lean months before harvest, which is not capital but it is usual to include cultivator's food as capital on the ground that it enables the cultivator to play his part in the production of farm produce.

69. It is obvious that the loans which the peasant contracts to celebrate his son's marriage or to conduct a law suit are not productive capital but the money-lender and the cultivator are so inter-related that he would unhesitatingly advance him money for these purposes, when no other institution nor even the Government would be willing to advance on such occasions. It appears to be thought, because the money-lender takes a high rate of interest and turns the miseries of his poor neighbours to his own advantage, that he must be an exceptionally rapacious person; and the chronic indebtedness of the cultivator is held to indicate an abnormally morbid condition of the rural life of a country. This is not the case; we have to take into consideration the risk that he undertakes, the losses that he has to bear, the difficulty that he experiences in the realisation of money and the like, all these should count to justify his high rate of interest. It may be stated that the rapacity of the money-lender and the indebtedness of the peasantry class of Bikaner are neither exceptional nor abnormal. They are characteristic of agricultural life everywhere. There are cases of this type which should be the object of all public men and Government to remove and they are amenable to remedial treatment; but we shall be better able to understand the case of the Bikaner cultivator if we recognise that his condition is not by any means abnormal—that, on the contrary, the small farmer all over the world is constantly in debt. The indebtedness of cultivators in other provinces of India is much higher than that in the Bikaner State.

70. There are advantages and disadvantages in the present system of agricultural credit, but on the whole the relations of creditors and debtors are inseparable unless other equally elastic and effective machinery is set up. Amongst other things the reasons may be briefly stated to be as follows:—

- (i) Hereditary system of clientele, which makes the cultivator habituated to go to the money-lender, and the money-lender habituated to receive them. The preparedness of the money-lender to advance money for productive and unproductive purposes though at heavy rates of interest leave a lasting influence upon the mind of the cultivators and they do not even resort to *takavi* loans, but prefer to go to the money-lender;
- (ii) Laxity in repayment of debts;

- (iii) Acceptance of any type of security and advancing even without security ;
- (iv) Readiness to advance in and out of season ;
- (v) Absence of formalities.

71. The above conditions are sufficient to keep the influence of the money-lender intact upon the cultivators and their debts.

72. The rates of interest of the creditors vary with the stability of the party and the security offered by the debtor. The debtor can secure a loan at a cheaper rate of interest if he can offer a better class of security than the one who has inferior class of security or none at all. A commercial bank is prepared to advance money at a cheaper rate of interest on the security of Government paper than the mortgage of landed property, other joint stock securities or even gold. In the same way, a money-lender will advance money at an easier rate of interest if the cultivator offers a good camel, a good pair of bullocks or the like.

73. The rate of interest also depends upon the general condition of the money market and the demand and supply of money and the short term loans available from other sources ; on the general condition of the harvest and monsoon ; the nature of the requirements and the stability of the party. The rates of interest depend also on the punctual repayment of loans. The punctual repayment of loans depends upon the reaping of good harvests which make it possible for an average cultivator to repay the loans either in full or a major portion of it if they are not entirely taken for wasteful and unproductive purposes. The productive loans can be paid within a year if the path of repayment is not impeded by Providence. Thus the rate of interest largely depends upon the repayment of loan which again depend upon the condition of the next crop.

74. The method of repayment is yet another item which affects the rate of interest. If the loan is repaid in cash, the money-lender becomes anxious to invest his capital immediately, as idle money means loss of interest to him. Similarly, if he recovers cattle and sheep instead of cash money, every day's halt and detention of the flock at his residence means feeding charges to him, and in order to avoid that, he would naturally be anxious to give away the cattle and sheep to some other cultivator or sell them as quickly as possible. But if the loan is repaid in grain, he would naturally be content for the reason that the grain is always dearer at other times of the year than in the harvest season and would not hesitate to store the grain so collected in repayment of the loan, and would watch for a time when he is in a position to re-sell the grain by way of loan to the same people or other cultivators.

75. The conditions attached to the unpaid loans are sometimes harsh and embarrassing. The money-lender generally adds the interest at the end of the year as also sometimes the percentage of deductions (*kata*) and after striking the balance puts pressure upon the cultivator to sign or put his thumb impression on the new *khata*. Various systems are employed by various people and the rate of the interest as well as other conditions become harder and harder upon each renewal of the loan. The money-lender is the only man who maintains the books of accounts, the cultivator being illiterate and not understanding the technicalities of the interest calculations, etc., signs the *khata* of the money-lender,

in whatsoever manner required by the influential money-lender. The cultivator is never given any receipt or pass book and has, therefore, no chance to vouch for the accuracy or otherwise of the accounts of the money-lender. It is essential that the money-lender should be required by law to give a pass book like the co-operative societies for all transactions with the cultivator, and without which all accounts should be treated as inaccurate.

D.—Effect of indebtedness.

76. Sir F. A. Nicholson says at the beginning of his invaluable report upon Land and Agriculture Banks, "The lesson of universal history from Rome to Scotland is that an essential of agriculture is credit. Neither the condition of the country, nor the nature of the land tenures, nor the position of agriculture, affects the one great fact that agriculturists must borrow." Therefore, in discussion of indebtedness the various factors involved are not always sufficiently distinguished. The cultivator may borrow because he has some need to satisfy or because he has some credit and cannot resist the numerous temptations to enjoy its use. It may be stated that it is not borrowing, however, that leads to debt, but failure to repay and for this there may be reasons quite distinct from those which lead to the borrowing. The money-lender lends primarily for his own profits; the extent to which he lends depends partly upon the security of the borrower and partly upon the amount that he may have lying idle for investment with him. Whether the money-lender presses for repayment of the principal or remains satisfied with the punctual receipt of interest ordinarily depends upon his judgment of several elements in his business. The one factor the importance which is least recognised in discussions of the type, is that the money-lender must live by money lending and that as his profits accumulate, he must extend his investments. The cultivator or borrower only represents one side of the transaction and throughout recorded history, he appears to have existed and to have been in need of protection from the usurer.

77. The predisposing causes which lead to debt are now well understood; the maintenance of law and order, the continuous increase in the proportion borne by the land revenue demand to the total produce, the rise in the value of that produce, the supply of canal water, making the land more productive, have all contributed to enhance the credit of the cultivator. The rapid development of commerce and trade, the opening up of railway lines throughout the length and breadth of the State, the introduction of established law and permanent civil courts and the enactment of such measures as the Contract Act of 1922, have strengthened the position of the money-lender. His capital has been swollen by the accumulating profits of his business which has been extended by his own thrift and intelligence. The general expansion of credit has provided scope for the investment of his savings and has averted that competition from his fellows which might otherwise have forced down the rate of interest. Throughout these developments the cultivator has continued in the main, illiterate; he keeps no accounts and makes no distinction between sums expended on the needs of his farm and those expended on the requirements of himself and his family and for marriages and *ausars*. For generations he has been accustomed to a ceaseless struggle to extort a bare livelihood from an insufficient income, and has been subject to disaster from drought, or epidemics. Causes which he seldom understands and cannot influence have endowed him with credit which he did

not formerly possess and he has found it difficult to resist the temptation to relieve present necessities by mortgaging his future income and even his sheep, cattle and ornaments which are considered as his capital.

78. There are other factors. Amongst the comparatively poor, where the habit of saving is not strong, the longer the interval between the successive receipts of the return of labour, the more difficult it comes to avoid borrowing. If wages were not paid monthly only a very small portion of the working classes, including the clerks and officers in the world could exist without credit but the cultivator has to wait for half a year before he receives the return of his labour, and in far too large an area in the State, where there is only one crop a year, the interval between successive receipts may be full twelve months.

79. The inevitability of indebtedness, as it seems to the people, gives the money-lender enormous powers. It produces an almost fatalistic acceptance of the steady transfer of the property into his possession and leaves his paramount position unchallenged. The effect of this is that the people are so accustomed to be in debt, to take it over from their fathers and to pass it on to their sons, that they accept indebtedness as a settled fact, and a natural state of life. This makes them indolent, unprogressive, and believers in *qismat* as the last resource of the destitute. Their progress becomes a problem for others who may be their land-lords and Rulers, but to them the question would not occur at all, because where thrift is absent, the vagaries of the monsoon drive the people to borrow which gives the money-lender untold power, and to a very great extent in the Bikaner State nay the whole of India the average cultivator labours not for profit, nor for a net return but for subsistence. The crowding of people on the land, the lack of alternative means of securing a living, the difficulty of finding any avenue of escape, and the early age at which a man is burdened with dependents, combine to compel the cultivators to submit to the dictates of the money-lender and work as the money-lender wishes him to work.

80. *Debt causes poverty or poverty debt.*—Having examined so far, we are to see whether debt causes poverty or poverty debt. We have to examine this question at a time when the whole State has sustained successive depression for the last five years, and when the whole peasantry class is burdened with debt. The reason for the first raising of loan may have been either for productive or unproductive purposes, but situated as they are, the cultivators have two problems, viz. (i) the absence of any other source of income except cultivation, whether manual or domestic labour, and (ii) the illiteracy coupled with heavy amounts of debt. The cultivators are unable to describe how and why a very large portion of the debt was created by them some years ago and handed over from their forefathers, but as examined now, we found that a majority of the cultivators raise loan for subsistence, purchase of cattle, camel, sheep, manure and seed and as he is miserably buried under poverty, he resorts to borrowing for one or all of these purposes. We are of opinion that poverty alone is responsible for creating and burying the man under debt.

81. *Is existence of debt compatible with agricultural prosperity.*—It has been stated by a few people that the existence of debt is compatible with agricultural prosperity. We do not at all agree with this idea and have found from various reports that agricultural indebtedness is fast increasing in India. The increase of agricultural indebtedness is not a healthy sign for the prosperity of

the agricultural industry as with the growth of the debt there is no corresponding increase in the income of the cultivator. With the growth of debt the cultivator is faced on the one hand with the re-payment of the debt and on the other hand with the problem for subsistence which leaves little or no time to the average cultivator to think of improvement.

82. We may state that the debt instead of being compatible with agricultural prosperity becomes harmful when it is not repaid. The committee have examined a large number of witnesses, have seen conditions in a number of villages and towns and are of opinion that the failure of crops on the one hand, swelling of the debt by compound interest due to its non-repayment, hereditary debt incurred for marriages, death and birth ceremonies on the other hand have made it a hard struggle for the future both for the people and the Government.

83. We would admit that all productive loans are repaid in normal years, but the aim of the money-lender on the one hand is to extract as much as he can and religious scruples, caste fears, women's domestic threats all contribute to force the cultivator on the other hand to resort to unproductive borrowings which is increased more than his capacity to repay and the result is that the loans taken for such purposes, generally become ancestral, to the detriment of agricultural prosperity. The productive loans also become a serious problem when there is a failure of crop or when there are successive failures, the debt swells like the unproductive loans and likewise threatens to become ancestral. We have received reports that there were no heavy loans till 1918, but we find that about 90 per cent of the agricultural population is now in debt.

84. Though the effect of indebtedness has been detrimental to agricultural community as a whole yet the cultivators in Bikaner State have *khatedari* rights, they go out of the State during famines and when there are chances of returning after earning something they come back, and plough their lands again, therefore, though harmful to an extent explained in the preceding paragraphs, there has not been witnessed efflux of emigrants going out permanently from the State.

CHAPTER V.

CREDIT FOR AGRICULTURE, MINOR INDUSTRIES AND INTERNAL TRADE (*continued*).

85. *Short term loans.*—The capital needs of agriculture are of two kinds. The first is fixed capital to be sunk permanently or for long periods in the acquisition or improvement of land and the purchase of equipment; the second is working capital to be used for short periods in growing, harvesting and marketing the crops. Agricultural credit is a means of facilitating the flow of capital wherever it can be profitably employed for these purposes. In this chapter we are concerned with the second class of capital required for the purchase of agricultural implements, seeds, manure, cattle and for the purpose of other expenses connected with production; for payment of land revenue and other miscellaneous expenses.

86. In our examination of witnesses from various Tehsils representing agricultural interests, we came to understand that the current requirements of cultivators per plough come to an average of Rs. 175 per year.

87. Working capital is supplied directly or indirectly by the cultivators themselves and in a country like the Bikaner State the provision of the working capital is the more important problem of the two.

88. It has been asked by a few people during the course of our examination of the witnesses in the districts "Will additional credit facilities result in the farmer getting more credit?" So much misconception surrounds this matter that it is necessary to state it in more precise terms. The facilities for providing credit merely create a channel through which capital can flow into agriculture; they should not determine the amount of capital employed, any more than the size of the water mains should determine the amount of water consumed in a town. In either case if the channel is too narrow, supply may be restricted (in which case the facilities are inadequate) but if it is wide enough, the amount consumed is determined by the need of consumers. The ideal credit system is, therefore, one which will enable the economic conditions of the agricultural industry to determine the volume of credit it can employ at the commercial rate of interest.

89. Although in practice the amount of credit which can be employed on land at profit may be difficult to determine with precision, in theory it is a simple matter. If the machinery of credit permits a free flow of capital into the agricultural industry, then the amount which should be used is that amount which when applied to agriculture will earn a remunerative return, that is to say, will earn a return which will make it profitable to the cultivator to take it on loan from the money-lender. To attain the highest degree of efficiency, therefore, in the use of borrowed capital, the cultivator must know, as accurately as possible, two things about it—firstly what it costs, and secondly, what it earns. Unless he knows these things his efficiency will be impaired. A cultivator who knows what his capital costs, but who has no measure of what it earns is an inefficient man of business; but the cultivator who knows neither what it costs nor what it earns must be utterly confused by the whole matter, and such men, to the great misfortune and detriment of Bikaner agriculture are only too numerous.

90. Agriculture, technically the most difficult industry in the world is at all times beset with risk from which most other productive industries are relatively free and this element of risk makes the ordinary methods of forecasting earning inapplicable to farming. In place of it, the cultivator's judgment must be made on a record of past experience—a record long enough to eliminate or minimise the risk of fluctuations. Even then he cannot expect to attain in this matter the accuracy of the manufacturer or other producers in the more stable lines of business. Like manufacturers he has no cost records and his judgment can only be an approximation based upon practical experience.

91. In approaching the subject matter it is necessary, therefore, to avoid confusion between the facilities by which credit may be furnished, and the conditions which determine its economic use. We have, therefore, to examine the question in this report. It must be admitted, however, that conditions may arise which make this determination an exceptionally difficult matter. They arise where credit is sought to tide a farmer over a period of adversity—whatever may be its cause. This is the danger point of any credit system. When the economic conditions of an industry are stable it may be relatively an easy matter

to measure its credit requirements, but when these conditions have been seriously handicapped as is the case at the present moment in the various Tehsils of the State when the future prospects are unknown, it becomes a very difficult matter. In such times credit is often sought as a desperate remedy, and serious mistakes are made not only by borrowers but by the money-lenders and other credit agencies.

92. This is a matter of greater moment than may at first sight be apparent and recent history of Bikaner, rather of the whole of India, affords a valuable illustration of it. Agriculture has been passing through an exhausting depression ; as was inevitable in such a period, the financial condition of the agricultural industry has been seriously disorganised. In 1914, when the European countries entered the War, India was confronted by an unprecedented demand for food. Prices rose, and India enjoyed a period of agricultural prosperity without parallel in its history. Every effort was made to extend production, but with the fall in prices which began in 1920, coupled with a reduced demand for export of Indian crops, agriculture quickly passed from prosperity to depression and an acute crisis has developed. Credit resources, which had been extended for the purpose of enabling cultivators to increase production were now called upon to tide the cultivator over a period of falling prices in which he has little profit or no profit at all. The effect of this was in some measure to aggravate and prolong the condition of over supply which was one of the causes of the low-level of agricultural prices in recent years. Thousands of cultivators have not paid their debts on maturity, so that their debts had to be carried forward by the money-lenders and co-operative societies. Many money-lenders were unable to stand the strain and a large number of them failed from 1921 to date. Enlightened by this experience, many people have come to think that the Bikaner cultivator in recent years had more credit than it was necessary.

93. A proper understanding of the economic value of credit, judgment and prudence in its use, are, therefore, at the foundation of any successful credit system. Strained beyond its proper though restricted purpose it may become, instead of a help, a burden or even a danger.

94. The pertinent question with which we are faced is, how this riddle can be solved. The only way to its solution is to extend the credit facilities in such a way and based on such principles as may be able to meet all the legitimate short term needs of the cultivators without undue hardship to them.

95. The question of short term credit has been specially dealt with in the United States of America under the Federal Reserve Act of 1916 as since amended. The Act has established systematic indirect short-term credit for agriculturists. There are certain special clauses which we may briefly state below :—

- (i) Bankers to advance money on the growing crops of the cultivators for a period no longer than nine months.
- (ii) Provision has been made for time for marketing the produce and a reasonable time is allowed for the sale of produce instead of dumping them in the markets.
- (iii) Re-discounting of paper of banks and co-operative marketing associations is permitted.

96. There are other facilities allowed by the Central Institution which situated as we are, are not applicable to Bikaner peasants. Another special Act called the "Short Term Farm Loans Act of 1921" has been passed in 1921 in Canada which provides the granting of loans for :—

- (a) Purchase of seed, feed, fertilizer, and other supplies ;
- (b) Purchase of implements and machinery ;
- (c) Purchase of cattle, horse, sheep and other live-stock ;
- (d) Payment of cost of carrying on any farming, ranching, dairying, or other agricultural operations ;
- (e) Payment of the cost of preparing land for cultivation ;
- (f) Fire or life insurance where required, in the opinion of the directors, as collateral security for a loan made for any of the above mentioned purposes.

97. Having reviewed the conditions in America and Canada we come to the conclusion, and our belief is re-inforced that the problem of agricultural credit is not one of creating new lending institutions but is rather one of so mobilising the wealth of the farming industry as to render it fully available as a basis upon which credit may be provided through existing institutions. Before proceeding further we would at this stage examine briefly the facilities actually existing for the purchase of agricultural implements, seeds and other necessities. The existing credit facilities may be divided into four distinct groups :—

- (i) Village and town money-lender,
- (ii) Land-lord money-lender,
- (iii) Co-operative societies, and
- (iv) the Government of Bikaner for *takavi* loans.

98. The 4,500 indigenous bankers and money-lenders agencies scattered throughout the length and breadth of Bikaner are the chief actors in the agricultural credit of the State. Nearly the whole of the credit is supplied by them to the cultivators. Nearly the whole business of agricultural credit is carried on by these private agencies, while the land-lords play somewhat a less important part in agricultural finance. These two agencies grant loans for every requirement of the cultivator while the co-operative societies render small service where they have been started. They grant loans for the following purposes and for the period noted against each item :—

- (a) Seed for six months.
- (b) Cattle for two years.
- (c) Plough for one year.
- (d) Miscellaneous requirements for one crop season.

99. The rates of interest charged by the money-lenders range from $18\frac{3}{4}$ per cent to 75 per cent per annum ; by the land-lord 24 per cent ; by the co-operative societies $12\frac{1}{2}$ per cent and by the Government 6 per cent per annum.

100. The periods of loans are generally till the next harvest time, but they have often to be extended when the debtor is unable to repay the debt. The terms of money-lenders are elastic inasmuch as they may not press for payment

when they find the cultivator unable to do so or when they think that their money is safe. It is not, however, a written rule and it all depends upon the choice of the money-lender. The co-operative societies have been empowered by their bye-laws to suspend payment during a period of adversity and this is a distinct advantage over the money-lender but the operations of the co-operative movement are in a very limited area for the present. In the case of Government loans, the general complaint has been the enforcement of repayment of *takavi* irrespective of there being any crop or otherwise.

101. In the outlines of the frame-work, a report is desired on the effect of borrowing on disposal of produce. In the business of farming carried on by a very large number of individuals in the State, trading relatively in a small way, marketing is not differentiated from production in the way it often is in other business conducted on a larger scale. Where the cultivator does his own marketing and where marketing is treated as one of the operations of the farm, like all others, its efficiency depends upon the cultivator's supply of working capital. If he is short of working capital, then he is often rather invariably forced to market his produce immediately in order to raise the necessary money to carry on his business, for payment of land revenue, repayment of *takavi*, of Mahajan loans and other miscellaneous expenses.

102. Two facts have an important bearing on the matter; firstly, the period of turn over in agriculture is long and towards the end of this period the cultivator's financial resources are strained. Secondly, marketing is largely a seasonal operation. If the farmer is forced on to the market through financial pressure, he is obviously liable to receive for the produce a poor price. To free him from this liability the cultivator has need of marketing credit. The evidence collected by the committee is that agricultural produce is forced on to the market at certain periods in such a way that the cultivator fails to obtain the best prices for his wares. The phenomenon though it may not be called general, is certainly very wide-spread. It is almost invariably stated to be more common amongst small farmers, and most frequently to be due to financial pressure. There remains little doubt that financial pressure, the need of ready money to meet rent, money-lenders calls, and other seasonal charges, is the chief cause impelling cultivators to market their produce with undue haste. Indeed, abundant evidence has been furnished on this point; again and again it is reported that, about harvest time, cultivators are pressed for money through every source and are compelled to realise their produce for what it will fetch. Necessity takes the place of judgment and discrimination in selling, and the cultivator only too frequently pays for the unfortunate position in which circumstances have placed him.

103 Notwithstanding the evidence of disorganised marketing in this State, and of the financial causes behind it, it would of course be a mistake to suppose that the matter would necessarily be remedied in every case by greater credit facilities. We may, however, state that the cumulative effect of the evidence is to suggest very strongly that with greater resources of working capital many small but efficient cultivators could avoid those conditions and could exercise a freedom of choice in the marketing of agricultural produce which is now denied them thus obtaining the full market value of their produce. This so far as the individual cultivator concerned is the need for marketing credit, and therefore,

there is a necessity of formulating a scheme which may facilitate the existing disorganised and chaotic conditions of the market. †

104. We have suggested in the chapter on indigenous bankers and money-lenders the formation of loan offices like those existing in Bengal by combining the efforts and resources of the indigenous bankers and money-lenders, thus pooling their resources and allowing the cultivator credit, in a more stable form than what they can get just at present. These loan offices will be required to be linked with the proposed Bikaner Central Bank like the American Banks affiliated to the Federal Reserve Bank in U. S. A. or pass an act on the lines suggested by the Revenue Minister. We may suggest the following outlines for the enactment of a Short Term Credit Act :—

Short Title.

(a) This Act may be cited as the Bikaner Farm Loans Act of

Interpretation.

(b) In this Act —

- (i) " Association " shall mean Farm Loan Association, incorporated under the provisions of this Act ;
- (ii) " Directors " shall mean Directors of a Farm Loan Association.
- (iii) " Minister " shall mean the Minister-in-charge.

Farm Loan Association.

(c) A Farm Loan Association may be formed for the purpose of loaning money under this Act in any part of Bikaner State described in the certificate of Association.

Application.

(d) Where it is desired to form such an association an application in such form as may be prescribed by the regulations and describing the territory for which the Association is to be formed shall be forwarded to the Registrar of Co-operative Societies.

Temporary Secretary-Treasurer.

(e) The Registrar shall name a person to act temporarily as Secretary-Treasurer of the proposed Association to call a meeting of those interested.

Provisional Directors.

(f) At such meeting five provisional directors shall be elected, and the work of organisation shall be completed under their direction.

Persons eligible for membership.

(g) Any person resident in the Nizamat or Tehsil described in the application and actually engaged either in farming or village money-lending operations, shall be eligible for membership.

Certificate for incorporation.

(h) No association shall be deemed to be incorporated until a certificate of incorporation setting forth that all the terms of this Act have been complied with has been issued by the Registrar as hereinafter provided.

Capital.

(i) The amount of the capital shall be subscribed by the shareholders of the association.

Minimum number of members.

(j) No association shall be incorporated unless at least 10 members have subscribed for shares in the association.

Terms of payment.

(l) Each member shall pay 10 per cent of the par value of the shares at the time of subscription, 15 per cent on allotment and the balance when called upon to pay after two months notice from the association.

Appointment of directors.

(l) (i) To represent the shares subscribed and to assist generally in the conduct of the business of the association, one director out of the five directors shall be appointed by the Registrar, Co-operative Societies.

(ii) Directors shall serve for three years and until their successors fill in the vacancy or take over charge of the affairs of the association.

Transfer of shares to have approval of board.

(m) Shares owned by the members may be transferred with the approval of the board of management.

Organisation.

(n) When capital has been subscribed, the secretary shall call a meeting of the members who shall appoint chairman, and three directors, the remaining one being nominated by the Registrar. Three directors shall form a quorum. The board of directors shall be responsible for carrying on the business of the association, shall appoint a secretary and a treasurer, who may or may not be a member, and shall have powers to fix the duties of all officers and subject to the regulations make rules governing procedure at all meetings of the directors or association and the conduct of the association generally. No officer shall be paid except the Secretary and the staff under him. Meetings shall be held once in a month at least for the conduct of the business of the concern. The directors may take additional members when deemed necessary by them.

Objects.

(o) The object of an association incorporated under this Act shall be to promote individual prosperity and agricultural development by securing short-term loans for current expenditures. When an association desires to secure credit for its members the secretary shall advise the board, who shall inform the association as to the facilities available and the steps to be taken in furtherance of the provision of this Act.

Short-term loans.

(p) The association shall grant loans for any one or more of the following purposes :—

- (i) purchase of seed, feed, manure and other supplies ;
- (ii) purchase of plough, implements and machinery ;
- (iii) purchase of cattle, sheep, camel and horses ;
- (iv) payment of cost of transporting, dairying and other operations ;
- (v) payment of cost for ploughing and other expenses for preparing land for cultivation.

Application for loan.

(g) Any person desiring a loan shall sign an application in the form prescribed, stating the amount required and the purpose for which it is to be used, and agreeing to repay the said amount at a date mentioned therein to be paid with interest added thereto. No loan shall be given for a period of more than two years under the provisions of this Act. The duration of each kind of loan shall be fixed. All such applications shall be delivered to the secretary and shall be presented by him to the board of directors and the loan shall be paid after determination and approval of the application by the directors. When an application has been finally approved by the directors, such approval shall be certified on the application in the form prescribed and shall be signed by the chairman and the secretary, or a $\frac{\text{person}}{\text{persons}}$ acting in $\frac{\text{his}}{\text{their}}$ place.

Security.

(r) All animals, machinery, goods or personal property of any kind purchased or partly purchased with the proceeds of a loan obtained, together with offsprings of such animals and the crops or other products grown upon any land for the working of which such loan has been made or used shall be subject to a lien for the amount of the loan in favour of the association. The directors before granting any loan may require any further security as they deem proper.

Securing capital for associations.

(s) The capital for an association may be secured by subscribing shares, selling debentures, rediscounting the paper with the Bikaner Central Bank in its rural credit department, securing loan from other institutions and as directed by His Highness' Government and authorised by this Act.

105. The co-operative societies in the Bikaner State have been rendering distinct service for short term loans to cultivators and their extension as also linking them with a central institution, is necessary as it will enlarge their scope and activities.

106. The Bikaner Central Bank should be required to supplement the finance of the primary societies in each Tehsil and Nizamat.

107. The co-operative department should direct their attention to the formation of a central sale society with which primary sale and purchase societies should be linked for purposes of finance and sale of produce collected by these societies as wholesale in one big market lot. The Federal Reserve Bank Act provides for the rediscount of the paper of the agricultural co-operative marketing associations and with the association and the help of the Bikaner Central Bank these sale societies should develop to render excellent help to the cultivators in marketing their produce with advantage to all concerned. It may here be stated that conditions here differ very widely from those existing in other countries and in order to achieve any success, the work in the start will require a wide-spread propaganda.

108. The prejudice against publicity is a fundamental difficulty in the problem of each kind of credit in this State. Much has been written on the subject of agricultural short term credit without giving adequate weight to this fact, but to ignore the psychological aspect of the question is possibly to ignore the most important factor of all. A legal obstacle to the development of a

rational credit system can, if necessary, be removed; an obstacle which is embedded in the minds and characters of the persons for whose use the system is intended, cannot be removed and must be accepted as an unavoidable element in the problem. Far from dismissing such difficulties as these on the grounds that they are merely prejudices, we must rather make them the starting point of any constructive plan of agricultural credit, which must both conform to the economic needs of Bikaner agriculture and respect the susceptibilities of Bikaner cultivators. The only solution of this is a wide-spread propaganda to educate the masses in the use and to introduce short term credit in Bikaner State. It is not proposed here to develop the recommendations in greater detail. It is obviously a matter which will require very careful consideration and many important points of law would have to be dealt with. We have, therefore, briefly stated the general lines on which the future machinery of short-term credit may be based.

CHAPTER VI.

CREDIT FOR AGRICULTURE, MINOR INDUSTRIES AND INTERNAL TRADE (*continued*).

Long term loans.

109. *Various items of permanent improvement to land.*—Bikaner soil, local conditions, and agricultural practices vary to an extraordinary degree. We, therefore, propose to give a brief description of the agricultural economy of the different Nizamats and Tehsils of the State. The greater part of the State comprises of an unproductive and ill-watered tract which stretches north and north-west of the Arawalis. The southern, central and western portions form a plain of the highest class of sandy soil, broken at short intervals, by ridges of pure sand, which in some parts—particularly in the centre and the south—attain a considerable height. To the south-west of the capital lies the Magra, a level expanse of rather stoney land which, however, is fairly productive when rainfall is good, while further to the north (in the south-west of the Anupgarh Tehsil) is an extensive area known as “Chitrang” which, in consequence of the excessive presence of natural salts, is unsuitable for cultivation though *sajji* and *lana* plants grow in abundance. The northern limit of the actual desert may be roughly drawn at the old bed of the Ghaggar, which runs in a westerly direction through the Suratgarh Nizamat; light soil is met for some distance beyond it, but the lofty sand-hill characteristics of the central and western regions cease abruptly on its southern bank. The country beyond the Ghaggar is the most fertile part of the State, the surface becoming more level and less sandy as one proceeds northwards. The soil in the north of the Anupgarh Tehsil and the Suratgarh Tehsil consist chiefly of high loam, fertile with irrigation and locally known as *baggi*, while nearly the whole of the Ganganagar Division which is irrigated by the Gang Canal has a good firm loam (*kathi*) which in places becomes clayish. The loamy soil stretches right across the upper portion of the Hanumangarh Tehsil to the Hissar border, improving if anything, as one goes eastward; it is of a yellowish tinge, retains moisture well, and with proper irrigation, would be capable of producing the highest class of crops. In a few villages north-east of Hanumangarh there is some light uneven soil (*maira*) the relic probably of an ancient drainage line. Proceeding south, we come to the bed

of the Ghaggar which throughout its length is a stiff loam, becoming darker in colour and harder and containing more clay as it approaches Hissar ; in the vicinity of Hanumanagarh, the action of flood in carrying of the silicious particles has made the soil almost entirely a clay which cannot be cultivated unless well moistened. The area of the Ghaggar bed is known as the *Nali* and the tract on either side as *dhora* and *rohi* according as the quantity of light sandy soil is respectively greater or less. The Nohar and Bhadra Tehsils are fairly level though sand-hills of no great height occur here and there, but the latter become less frequent as the eastern boundary is approached and the soil is for the most part a good loam well adapted by a sufficient admixture of sand to the conditions of local rainfall. Further to the south, sandy ridges and light soil are common, while to the west and south-west lies the desert proper.

110. Bikaner and Sujangarh Nizamats and a part of Rajgarh Nizamat have only one crop while in the Suratgarh Nizamat and Ganganagar colony both *rabi* and *kharif* crops are sown. The chief crops of *kharif* are : *moth*, *bajra*, *till* cotton and *guar* while in *rabi* wheat, gram, barley and sugarcane are grown.

111. We have stated in chapter II that the Bikaner cultivator uses the most simple methods of ploughing and sowing the land, and very little of manure is used by him for nourishing his fields. It may be stated that an acceleration of the recuperative process in the soil can be effected by improved agricultural methods, judicious rotation and the cultivation of green-manure crops. For our purposes the problem is required to be studied in two aspects in relation, in the first instance, to the crops which are dependent solely on rainfall, and in the second, to the crops which are grown on irrigated land. Wherever in the State crop production is limited by a small rainfall, the annual additions of combined nitrogen to the soil as the result of natural processes may be sufficient to meet the needs of a crop the outturn of which is limited by the moisture available. In the present enquiry we are not concerned with this, save that we are to draw conclusions on the present help rendered, but we would take this opportunity of stressing the value of close touch between the agricultural community and the agricultural officer of the State in regard to this and other agricultural matters. It is essential that the department should be in a position to give the ordinary cultivator both of the irrigated and the unirrigated crops the best of advice for increased crop production.

112. The Agricultural department of the Government of India have a fund of experience on which to draw in regard to the possibilities of the successful introduction of crops which are new to our canal area. In this respect an agricultural demonstration farm has been opened with an agricultural officer to guide the new settlers in the matter of selection of crops and their introduction in that area. Experiments of various crops are being made, the chief is with regard to cotton ; to establish the variety ; and experiments have shown that the Mollison variety is the best kind of cotton which can be grown in the colony area. American cotton has also given promising results, but the Mollison cotton has decidedly stood first. The experiments with regard to other crops, *e.g.*, wheat and gram are limited to the experiments of giving water to the various crops. Taking the loamy land in view, the results of one watering, two waterings and three waterings are watched carefully. The experiment with regard to establishment of beet-root is also being made.

113. *Credit facilities actually existing and rates of interest.*—The credit facilities actually existing are supplied by the money-lenders and the Bikaner Government. The major part played in this is by the money-lender. The rate of interest charged by the money-lenders is identical with other loan, viz., 18½ per cent to 75 per cent per annum. No special conditions are attached to such classes of loans and no distinction is kept between this and other kinds of loans advanced. There is no special period for such loans, and all advances are on one account for whatever purposes the cultivator borrows. We have discussed the question at length in chapter No. V and we do not propose to have a repetition of it here.

114. *Credit facilities required.*—There is no institution in the State except the money-lenders to deal with the question of long term and intermediate credit for the purchase of farms, and the execution of improvements requiring a substantial outlay. But to make long period loans is also not a part of the business of the money-lenders; and they prefer to keep their resources more mobile. The cultivators are, therefore, left helpless in respect of this kind of finance in the State. For this purpose, it is, therefore, necessary that a special lending institution should be created.

115. What should be the type of this special institution is a problem to be settled. Bikaner State has the following classes of rural population :—

- (i) Those people who have only *khatedari* rights. *Khatedari* rights entitle a man to keep the land under hereditary occupancy, but not mortgage, sell or transfer the land.
- (ii) Those peasants who have proprietary rights. These people have full rights on the lands they hold and are empowered to sell, transfer or mortgage their lands at will.
- (iii) Those peasants who have occupancy rights. They have also the same rights as are attached to the people with proprietary rights but with certain restrictions regarding the sale, mortgage and transfer of the land.

116. There are, therefore, people requiring only intermediate credit while there are others requiring long term credit, and, therefore, what is required is to have an institution fulfilling all these requirements.

117. *Scope of land mortgage banks and other agricultural credit banks.*—There appears to be nothing in the conditions of Bikaner agriculture which would prevent the principle of the German *Landschaften* or Mortgage Credit Banks or of the American Federal Land Banks being applied to the lands and it is suggested that a solution of the problem should be sought on the lines, subject to the necessary modifications which may be required in order to conform to Bikaner conditions. We do not propose to deal at length on this point as sufficient study has been made in the Punjab and other Provinces and by the Baroda Land Mortgage Bank Committee, whose report has been published. We have received a very useful note on the subject by Major Maharaj Sri Mandhata Singhji, Revenue Minister, Bikaner State. This side of the business is free from competition of the money-lenders who have hitherto restricted their business operations to short-term and to a certain extent intermediate credit. Therefore, there is a large scope for any land mortgage bank or agricultural credit bank in the State.

118. *Experience of banks already started.*—At the outset we would take the opportunity to refer to a note of Sir Manubhai N. Mehta, Kt., C.S.I., M.A., LL.B., on the desirability of a land mortgage bank in Baroda State (page 9 of the report of Baroda Land Mortgage Bank Committee, Vol. II) and we need no apology to reproduce that note here.

“It would appear to a casual reader that the Director of Commerce and the Joint Sar-suba in their opinion on this question have ranged themselves in opposite camps ; that whereas Rao Bahadur Govindbhai is a staunch believer in the efficiency of co-operation and rejects all other financial devices as valueless and doomed to certain failure, Mr. Manilal B. Nanavati like the Hon'ble Sir Dinsha Wachha sees salvation for the agriculturists in the establishment of a central agricultural bank on the model of the Agricultural Bank of Egypt. On deeper consideration, however, the opinions recorded on this tippan do not seem to me to be radically incompatible. Even Mr. Manilal admits in his report (page 69, para 229) that “there would be great difficulty, if not absolute impossibility, in marketing the debentures in the open market. With guarantee from the State we may sell them, but to dispose of them frequently to meet greater demand for money will be difficult ; and there may come a time when the plan may absolutely fail. Again our land values are not very stable ; they fluctuate frequently on account of bad seasons.”

This objection, however, against the system of *Landschafts* (mortgage associations) is not an inseparable objection that can prevail against a central agricultural bank.

And it is to be remembered that the central agricultural bank proposed in this Tippan is to be not a mere *Landschaft*. It is to be the Apex Bank—the central bank under which all co-operative unions and co-operative societies will be federated.

Co-operative societies require to be financed. Government do not deem it prudent to advance direct loans to these societies. Central unions will do the financing work but they will require an Apex or central bank to co-ordinate and economise all the resources of the separate unions to utilise the surplus of one union awaiting profitable investment by making it available to another union or society in need of more funds. The Apex bank is to be run on the same principles of co-operative credit and is not divorced from the moral lessons of thrift and fellow-feeling which are the great assets of the co-operative societies.

There is not much point, therefore, in the Joint Sar-subas remarks that he would support co-operative societies as the only solution of the problem of agricultural finance. The Apex bank here proposed will be run on co-operative principles.

Co-operative societies, however, can only advance short-term loans. Easy and quick returns of the loans are a fundamental condition of their success. For every day ordinary agricultural needs as the procuring of improved seed, chemical manure or purchase of live-stock short term loans are all that is needed and co-operative societies are the best agencies for the organisation of agricultural credit and the supply of small funds for the purpose. The loans can be made returnable from one to three years.

The problem before us, however, is the redemption of the enormous burden of past accumulated debts, under which the average cultivator is groaning. The redemption of past debts cannot be accomplished by a short time loan, no more than a loan for permanent improvements of the land by sinking an irrigation well, or raising the irrigation embankment, or for the installation of costly machinery like pumps, steam ploughs and other power worked implements. For these loans our *takavi* rules and rules for land improvement loans contemplate long period instalments spread over 30 years and if instead of direct *takavi* loans, long term loans from the co-operative societies are deemed more expedient, such long term loans can only be given by land mortgage associations or agricultural banks. The scheme now proposed for the liquidation of past debts must necessarily therefore partake of the nature of the land mortgage or agricultural banks to be organised and run on co-operative principles. They will also be the Apex or central banks in the federation of co-operative societies. It is here that the seeming difference between the views of the Registrar of co-operative societies and the head of the department vanishes.

The proposed land mortgage bank will be constituted on lines similar to the Agriculture Bank of Egypt and the Phillipine Agricultural Bank. This bank has succeeded remarkably well in Egypt.

For the success of a land mortgage bank four essentials have to be safeguarded :—

- (1) security of title,
- (2) proper valuation,
- (3) adequate funds, and
- (4) prompt recoveries.

(1) For the security of title to the land offered as mortgage, the bank will have to be authorised to look into the registration books and it is here that the system of card index is designed to be auxiliary as giving facility for research. A notification for registration of titles may also have to be provided for in the absence of the record of rights.

(2) For a correct and safe valuation honest, well-paid and experienced valuers will have to be appointed. If they are appointed from amongst the shareholders who have a stake in the interests of the bank, danger of inflated valuation will be minimised. A margin of 50 per cent. between the loan and the estimated value of the security will be a necessary safeguard.

(3) To tap adequate funds Government guarantee for the interest on the debentures will be necessary. Without such a guarantee the debentures will not be taken when issued in the first instance or if taken, will not be negotiated in the market and can sell only at discount. The Egyptian Government of Khedive has guaranteed such interest at 3 per cent, the Bombay Government have guaranteed a 4 per cent. on the debentures and it is proposed to extend a guarantee in Baroda for interest at $4\frac{1}{2}$ per cent. Competent financiers in Egypt hold that it is in the highest degree improbable that any occasion would arise for calling on the Government to make good the deficit. Government guarantee has a double effect ; it enables a loan to be raised at an easy rate of interest and it maintains its negotiability unimpaired.

(4)”

119. We need not go into further details in examining all these points, but whatever information we have collected goes to inform us that the scheme laid down by certain Acts in various countries for long term credit have met with wide-spread appreciation by the agricultural community of those countries. The experience of banks already started in other countries has been very healthy both to the borrowers and lenders. It may, however, be stated that the Bikaner debt per head is lower than that of some of the other countries but is less productive since much of it represents past extravagance or natural calamities. Its burden impedes the growth of agricultural industry removing all incentive to improvement. The only way to free the agriculturists from their indebtedness is the establishment of a land mortgage bank in the Bikaner State, which has been recently started and we propose to give an outline of the bye-laws of the bank :—

BYE-LAWS OF THE CENTRAL CO-OPERATIVE MORTGAGE BANK, LIMITED.

Objects of the bank.—Its objects are to promote the economic interests of its members and more particularly to arrange—

(1) The creation of funds to be lent to its members on mortgage security for—

- (a) the redemption of mortgages ;
- (b) the improvement of land and of methods of cultivation and purchase of improved mechanical implements and agricultural equipment ;
- (c) the liquidation of old debts ;
- (d) to advance money to primary societies on the recommendation of the Registrar of the co-operative societies ;
- (e) for other household purposes such as marriage or funeral expenses ;

(2) Other measures designed to encourage in the members the spirit and practice of thrift, mutual help and self-help.

120. The bye-laws have special clauses for (i) membership, (ii) liability of members, (iii) share capital, (iv) debenture loan, (v) rate of interest on borrowed debenture loan, (vi) margin of security for the debenture loan, (vii) general meetings, (viii) managing committee, (ix) registers and their maintenance, (x) treasurer (xi) loans and repayment, (xii) minimum and maximum limit of loan, (xiii) summary recovery, (xiv) employment of funds, (xv) profits, (xvi) disputes, (xvii) liquidation.

121. *Suggestions for expansion.*—As the Bank has just been started nothing by way of suggestion can be given just at present as the working of the bank has yet to be seen in the Bikaner State.

122. *Inclusion of debentures of land mortgage bank in list of trust securities.*—The debentures of the land mortgage bank are to be included in the list of trust securities as permitted in the Bikaner State by His Highness' Government.

123. *Co-ordination of credit agencies.*—There is no co-ordination between the work of the credit agencies just at present, but if the land mortgage bank is successful and the people have learnt the spirit of co-operation, there is every possibility of complete co-ordination between the various credit agencies in the State.

124. *Review of the system of Government loans and elimination of administrative defects.*—We tried our best to obtain a copy of the *takavi* rules from the Revenue Department but none has been supplied so far, and therefore, we are unable to make any comments on the merits or demerits of the rules, but we have been able to understand from the evidence that we have had on the subject that the grant of *takavi* loans is restricted to the owners and occupiers of arable lands and the purpose of the loans is for the relief of distress, the purchase of seed or cattle, and any other purpose connected with agricultural objects. The present system of granting *takavi* loans is that the *takavi* is distributed to the *khatedars* through the *Tehsildars* at the rate of 6 per cent per annum. The amount is to be reimbursed by the debtor when the crop has been reaped if the amount is advanced for seed within a year if it is for the purchase of cattle. But in the case of failure of crop the recovery is generally postponed for the next crop. Since the system came into force, it has proved of immense value in times of distress, whether arising from drought, or epidemic and is a potent weapon in the hands of the State to deal with a sudden emergency which requires the immediate issue of capital for current needs. The operation of rules is not confined to occasions of distress but there is considerable evidence in favour of the adoption of the course in practice during normal times. We may, however, state that the system can never be the means for meeting all the normal requirements of agriculture, but is of great value in certain contingencies. It is being gradually displaced by the co-operative credit system which promises to supply far more capital than can be spared by the Government. We hold that until the co-operative movement has reached a much more advanced stage of development, the system of Government loans must continue. Where a situation arises which is beyond the capacity of the co-operative bank the Government can advance money.

125. During our tours in the districts we have received complaints of the following nature :—

- (i) delay in the grant of loans after the applications have been submitted by the intending borrowers ;
- (ii) condition of grant of *takavi* on producing sureties, and
- (iii) hardship caused to the cultivators by the Revenue officers in the recovery of *takavi* loans, at a time when they are unable to repay them for one reason or the other.

126. We attach much importance to the first complaint, and any delay in the disposal of such applications should invariably be eliminated. We do not in any way agree with the second complaint. To us it seems superfluous. The rules are as elastic as the interests of both the borrower and the lender permit. Further elasticity would probably make abuses easier without materially assisting the cultivator.

127. The third complaint is as regards the rigidity of recovery, but it is not in the real interest of the cultivator that he should be permitted to delay the repayment, beyond the harvest of a loan taken for seed, fodder or manure, nor is it wise to allow too long a period for the repayment of a loan taken for the purchase of cattle which may be carried off by disease before the debt is paid. No system of Government loan can ever be as elastic as that of the money-lender ; the tactics pursued by the one who too often desires to keep his client in debt should not be held up as a model to a State which desires to see the cultivator free.

128. Keeping all these safeguards in view and trying to make the rules as elastic as possible, we have framed new *takavi* rules which are given below with the set of forms attached to them which can be conveniently used both by the borrower and the departmental officers when making a grant of such loans:—

TAKAVI RULES.

(1) *A.—Introductory.*—For the purposes of these rules takavi loans are divided into two classes, *viz.*

- (i) Loans for permanent works of utility and improvement, *e.g.*, wells, bunds.
- (ii) Loans for other purposes, *e.g.*, seed, bullocks, camel, sheep and fodder.

Loans should not be granted which the borrower will find it difficult to repay nor advanced for works of improvement which are unlikely to be remunerative. Subject, however, to these conditions, it is the policy of His Highness' Government to increase as far as possible the popularity of advances. Loans belonging to class II should not be regarded as an expedient to be adopted only at times of special stress but as part of the ordinary revenue administration, and efforts should be made to encourage the construction of works of improvement by private persons.

(2) *B.—Allotment for loans.*—Revenue Commissioners should report each year the amounts which they estimate will be required in the following year for loans of each class. At the beginning of the year His Highness' Government will allot portions of the sums sanctioned in the budget to Revenue Commissioners, who in turn will make allotments to Nazims and have authority to transfer allotments from one Nizamat to another Nizamat or from assignments originally intended for loans of one class to loans of the other class. Similarly, Nazims may distribute allotments among Tehsils and transfer them from one Tehsil to another. His Highness' Government must be informed at once of all such allotments or transfers. Applications for extra grant should be made as soon as it appears likely that the allotments made will be insufficient.

(3) *C.—Interest.*—Interest shall be charged on all loans at the rate of $6\frac{1}{2}$ per cent per annum, which shall be deemed to be exactly equivalent to one pie per rupee per calendar month. In calculating interest the actual period of loan shall be counted. Loans shall always be made in whole rupees. A loan bears interest for the day of advance but not for the day of repayment. Compound interest shall not be levied in any circumstances.

(4) *D.—Officers who may grant loans.*—To facilitate the prompt distribution of loans it is desirable that Revenue Commissioners, Nazims and Tehsildars be given definite allotments. Powers of granting loans have been delegated on the following scale:—

Minister-in-charge, Revenue Department, upto Rs. 2,500 in the case of
a single loan.

Revenue Commissioners	..	..	1,000	..	..
Nazims	...	...	500	..	..
Tehsildars...	...	...	250	..	..

NOTE.—This is subject to the condition that the allotments made to each officer are not exceeded

(5) *E.—Applications for loans.*—Applications for loans may be made either orally or in writing to Revenue officers. Printed forms of applications shall be supplied free of charge at the Tehsils, but their use is not compulsory and applications may be made on plain paper. When an oral application is made the officer receiving it shall cause it to be reduced to writing with the particulars required by the next rule.

(6) Every application shall state the name, caste, parentage, profession, and residence of the applicant, the amount of the advance applied for, the exact purpose for which it is required, the nature of the security offered for repayment and in case of loans of class I the nature and description of the work for which the advance is required and the right and interest of the applicant in the land to be improved. If the applicant is *khatedar* he shall state the area of his holdings.

The applicant shall sign a declaration to the effect that all the facts stated in his application are true to the best of his knowledge and belief, and that if a loan is granted to him he will conform in all respects to the rules made by His Highness' Government and abide by the conditions laid down therein.

(7) *F.—Preliminary enquiries.*—The officer to whom an application is made, if he is of opinion that it should be entertained, will himself make or will cause to be made, such enquiry as he deems necessary regarding—

- (i) the status of the applicant ;
- (ii) the nature and the value of the security offered ;
- (iii) if the security is immoveable property the incumbrances to which it is subject ;
- (iv) in the case of a loan of class I, the feasibility of the work proposed, its probable cost, estimated value and utility, and the right of the applicant to make it.

(8) All business connected with the grant of loans shall be carried out with utmost promptitude consistent with due care. It is important that the enquiry required should be carried out, and the report asked, if any, submitted with the least possible delay. The points on which the information is desired in such reports should be defined in a clear order ; and any failure to comply with these orders or any undue delay in carrying out an enquiry or submitting a report should be strictly dealt with in a separate disciplinary proceeding.

(9) When such enquiry as may be necessary has been completed, the officer to whom the application has been presented shall either pass order on it himself or shall forward it for orders to the officer empowered to grant the loan with his recommendations.

(10) *G.—Considerations before granting loans ; security ; terms of repayment ; and fixing of instalments.*—The questions to be considered by the officer granting a loan are :—

- (i) the object for which the loan is sought ;
- (ii) the security offered ;
- (iii) the instalments and date to be fixed for repayment ;
- (iv) the manner of repayment.

(11) The officer granting the loan shall satisfy himself that the loan is in good faith intended to be spent on the object for which it is alleged to be sought, and, in the case of a loan of class I that the work is likely to succeed and to effect a substantial improvement. It must be remembered, however, that the applicant is not likely to spend the money without a reasonable prospect of a satisfactory return, and, therefore, detailed or protracted enquiries into the results of proposed improvements are not desirable.

(12) The governing principle in regard to security may be accepted provided that the officer granting the loan is satisfied that it is sufficient. Subject to this proviso, personal security may be accepted freely. A number of loan may be given on the joint responsibility of all the recipients, or a single loan may be given on the personal security of not less than two substantial cultivators.

(13) Loan may not be given without the sanction of the Nazim to persons who are in arrears with State dues or a previous loan.

(14) Large loans should ordinarily be advanced in two or more instalments, the second or later instalment not being advanced till expenditure to the approximate amount of the previous instalments has been incurred and certified. The fixing of an unreasonably short period for the completion of the work, the fixing of too many instalments or the fixing of unsuitable dates for the giving of the instalments should be avoided.

(15) Except in the case of loans for seed or *katcha* wells which should ordinarily be repayable in full immediately after the harvest for which they are granted, all loans should ordinarily be repayable in half or yearly instalments on the dates fixed for the instalments for revenue or rents.

NOTE.—In case the crop fails or it is otherwise inexpedient to press, the collection after the harvest suspension of the whole or a portion of the demand is admissible provided it is considered advisable by the officer granting the loan.

(16) (i) Except as provided in the preceding rule in the case of loans of class II (unless for exceptionally long terms, when instalments may be fixed in accordance with rule (18) the principal should be made repayable in fixed instalments.

(ii) Loans for the purchase of plough or cattle should ordinarily be made repayable in two years. In no case should instalments of loans of this class extend over more than five years.

(17) In the case of loans of class I the date from which repayment is to begin shall, if possible, be fixed so as to ensure that no payment of either principal or interest shall be demanded before it can be made out of the profits of the improvement. But this period of grace shall, in no case, exceed two and a half years, and interest shall be charged as in all other cases from the date on which the loan was given.

(18) In the case of loans of class I instalments should not ordinarily extend over periods over ten years, but they may be extended over a period not exceeding twenty years with the sanction of the Minister-in-charge. The amounts required to pay off the loan within different periods should be explained to the borrower, and, unless some reasons to the contrary appear, the period which he prefers should be fixed.

(19) In the case of loans of class I, when the whole period of the repayment has been fixed the instalments shall be equated, that is fixed at equal amounts including principle and interest for each instalment. To ascertain the instalment of $\frac{\text{a half}}{\text{or yearly}}$ instalment which will repay the loan in the period proposed it is necessary to fix the instalments beforehand. All the instalments except the last must be fixed in whole rupees. The instalments agreed upon should be entered in form III before the payment order is signed.

(20) When numerous loans are to be issued in a short time on the spot, the disbursing officer must curtail the enquiries necessary to his decision as much as possible. He will ordinarily be able to satisfy himself from the persons and papers immediately available, e.g., the Girdawars and Patwaris, fellow-villagers and the patwaris papers; but he may make further enquiries, if necessary.

(21) *H.—Order for, and conditions of loans.*—When the disbursing officer has determined what loans shall be granted, to what persons, and in what instalments repayment shall be required he will draw up formal orders as follows :—

- (a) in form II of individual borrowers of loans of class II;
- (b) in form I for such persons as undertake joint responsibility for the total of the loans of class II granted to them severally;
- (c) in form III for loans of class I or loans of class II repayable in equated instalments.

If the amount of the loan is to be advanced in instalments the entry of the exact amount of the equated instalments should be postponed till the last instalment has been advanced.

(22) Every order granting a loan shall contain the following, among other conditions :—

- (a) that the loan shall be applied solely to the purpose for which it is granted;
- (b) that if it be proved to the satisfaction of the officer granting the loan that any part of the loan has been applied to any purpose other than for which it was granted or in the case of a loan of class I if the whole or any part of the improvement is not completed by the time or times specified in the order granting the loan, then the whole of the loan and the interest (if any) chargeable thereon; shall be recoverable forthwith.

(23) The order shall be signed by the disbursing officer and by the borrower as having understood and agreed to all the terms and conditions.

(24) *I.—Disbursement.*—After the order, sanctioning the loan, in forms I, II or III has been signed by the disbursing officer and the borrower, the latter shall receive the amount of the loan, sanctioned for him, in cash from the hand of the disbursing officer, either in lump sum or in specified instalments. The disbursing officer will draw the money from the treasury in the manner laid down in para 29.

(25) The borrower shall sign a receipt, in the column provided for the purpose in the order form, for each sum advanced if he is literate or affix his thumb impression before the disbursing officer, if he is illiterate. The disbursing officer shall certify on the order form that the amount or the total amounts were disbursed in his presence.

(26) When the loans to be granted have been disbursed, the orders in forms I, II and III shall be filed with the connected applications.

(27) A slip in form VI showing the instalments repayable and the dates on which they should be repaid, should be given to each borrower at once if the whole loan is advanced in one sum, and after the last instalment, if it is advanced in instalments.

(28) The borrower shall produce this slip at the time of any repayment of the loan and the amount received shall be entered therein.

(29) *J.—Supplies of cash to disbursing officers—Refund of balances.*—The disbursing officer may obtain supplies of cash in the following ways :—

- (a) for individual loans on an abstract bill countersigned by the Nazim or Revenue Commissioner, under whose sanction the loan is given, the amount not exceeding the one he is empowered to sanction ;
- (b) by similarly drawing a lump sum to cover several loans ;
- (c) when advances on a large scale are contemplated, *e.g.*, for seed or *katcha* wells in a time of drought or for cattle after an epidemic of disease, on "abstract bills" for such lump sums as may be authorised by His Highness' Government.

(30) When the distribution for the time being is completed, the disbursing officer shall pay into the treasury, as soon as possible, any undisbursed balance, to be credited to "recoveries of *takari* loans" principal. This sum shall not be available for expenditure at a later date.

(31) *K.—Record of loans and instalments.*—In ordinary times disbursing officers shall forward to Revenue Commissioners a statement relating to loans, as soon as the last payment has been made. When distribution is being made on a large scale such files shall be forwarded to the Revenue Commissioners concerned monthly.

(32) The assistant in charge of *takari* accounts in the Revenue Commissioner's office shall record the particulars of the loans in a register in form IV and shall record on the orders in forms I, II and III the serial No. given to the corresponding loan in that register.

(33) The files concerned shall after entry in the register, be returned to the Tehsils concerned.

(34) A similar record of the loans shall be kept in the Tehsil in a register (form IV). The serial number which was given in the Revenue Commissioner's register and noted on the order form shall be noted in the Tehsil register as well. The clerk in the Tehsil shall write in *mils* that the entry has been made in the Tehsil register.

NOTE.—It would be more convenient to keep separate register for loans of classes I and II.

(35) The *misls* after entry in the register shall be recorded in the Tehsils for such loans as were sanctioned by the Tehsildar himself. The others will be returned to the Revenue Commissioner for transmission to the respective disbursing officers for record with them.

(36) No file shall be consigned to the record room until it has got noted thereon :—

(a) the serial number assigned to each loan in the Revenue Commissioner's register, and the Tehsil clerk's remark about its entry in the Tehsil register.

(b) If part of the condition of the loan is the execution of certain work, until the disbursing officer is satisfied that the work has actually been performed and a note to that effect has been made in the file.

(37) *L.—Enforcement of repayment, suspensions, remissions.*—The Tehsildar is primarily responsible for the due recovery of all demands due on account of loans given in his Tehsil.

(38) Subject to the principles laid down in rules 42 and 46 the punctual recovery of loans advanced must be insisted on. In order to ensure this with the minimum inconvenience to the agriculturists it is essential that the recoveries, repayment of which are due, should be pushed on rigorously while the crops are on the threshing-floors or just afterwards when the tenants are disposing of them to grain dealers. When a loan has been given on a joint responsibility of several persons recovery should ordinarily be made from each person to the extent of the actual share of the loan received by him ; but when this is not possible, the joint responsibility of all the recipients for the whole amount of the loan should be strictly enforced. When tenants of their own accord offer to repay jointly, the joint payment should be accepted.

(39) Quarterly statements of collections shall be submitted by the Tehsildars to the Revenue Commissioners through the Nazims, who should carefully study these statements noting on them any orders, which they may consider necessary to issue for the guidance of the Tehsildars.

(40) The Nazims should have no difficulty in controlling collections in the interest alike of His Highness' Government and the agriculturists. Careful consideration of these statements is necessary when the agricultural outlook becomes threatening. There is no advantage in having given loans to cultivators for seed and bullocks or wells if recoveries are made mechanically in such a manner as to drive the borrower to the money-lender again in order to raise the necessary amount for repaying his loan or to compel him to sell the bullocks which he has bought.

(41) Except when the borrower admits default an order of a recovery of a loan under condition (b) of rule 21 shall ordinarily be passed only after the Nazim or Revenue Commissioner has satisfied himself by personal local enquiry that default has been made.

(42) Apart from temporary postponements, instalments shall be freely suspended when the borrower's crops fail from causes beyond his control to such an extent as to render payment unduly burdensome. The power of

suspension is vested in the officer authorised to grant the loan. The amount suspended shall be a definite portion of the instalment whether the instalment includes principal only or principal and interest, and the demand at that *qist* shall be reduced accordingly, a note to that effect being made throughout the accounts.

(43) The effect of a suspension of the whole or a portion of an equated instalment is merely to prolong the whole period of repayment. Whenever a payment is made interest will be calculated on the whole balance of principal outstanding after the last payment, and the regular demand will be maintained at subsequent '*qist*' until the final instalment is reduced because the balance of principal outstanding with interest due to the date of payment is less than the amount of the fixed instalments.

(44) In the case of instalment of short-term loans in which the instalment is of principal only it is for the Revenue Commissioner to decide at what subsequent '*qist*' the suspended instalment shall be demanded; but, whenever a payment is made, interest on the whole principal outstanding at the date of the last payment shall be demanded in addition to the principal due at each '*qist*'.

(45) All suspensions shall be reported to His Highness' Government for information. The Government will pass orders if the suspensions appear not to have been justified.

(46) Remissions of loans can be sanctioned only under the orders of His Highness' Government. Proposals for remissions should explain clearly the grounds on which the Revenue Commissioners consider that the remissions are justified. Remissions should be granted only in exceptional circumstances. They are admissible only when a loan is actually irrecoverable, or when a work of improvement fails from causes beyond the borrower's control and the recovery of the loan in full would cause serious hardship. In the latter case, the Nazim should make a local enquiry. In cases when a loan is held to be irrecoverable the nature of the security taken for its re-payment shall be recorded with the reasons for not realising the value of the hypothecated property or not proceeding against the surety, as the case may be.

(47) Remissions of principal carry with them remissions of interest upto-date on the principal sum remitted. Consequently when remissions are proposed it is unnecessary to calculate the interest due. In the accounts the balance of principal outstanding will merely be reduced by the amount remitted, and if any principal remains to be collected interest will be calculated at the next payment on the reduced balance only.

(48) *M.—Accounts of demands and collections, and returns at Tehsils.*—As soon as possible after the 1st October and 1st April in each year, the Tehsildar shall cause to be prepared from the ledgers a *khatauni* (statement of affairs: form V) of demands of each class of loan due in the half-year ending the 31st March and 30th September respectively. The *khatauni* shall be submitted to the Revenue Commissioner who shall cause it to be verified by comparison with his loan register. After discrepancies, if any, have been rectified, the Revenue Commissioner's *takavi* clerk shall note the total demand for the half-year and return the *khatauni* to the Tehsil, where collections shall be made in accordance with it.

Revenue Commissioners should issue such instructions as will ensure the return of the *khatauni* duly verified to the Tehsil, before the date on which the earliest instalments become due.

(49) The demand to be entered in the *khatauni* shall be one which is due for recovery in the current half-year as well as any unsuspended arrears of the previous half-year.

(50) Collections will be made according to this *khatauni* and entries thereof will be made in the Tehsil loan register.

(51) When any payment is made at a Tehsil, the interest due at the date of the payment shall first be credited to interest, and the remainder to principal; and a balance of principal together with interest, if any, still outstanding shall be struck in the ledger and the *khatauni* interest shall be calculated on whole rupees for whole months at the rate of one pie per rupee per month on the balance of principal outstanding after the last payment. If the payment made is in excess of the total amount required to clear off a loan completely with interest, or the amount required to pay off a current instalment with interest, but further payments are still due at subsequent *qists*, the excess shall be credited to interest in the former case and to principal in the latter case.

(52) The borrower may, at his option, repay the loan or any instalment thereof, within a shorter period than that fixed in the order granting the loan. In such cases interest will be calculated as provided in these rules.

(53) The ordinary form of receipt may be used for sums received on account of *takari* advances, but it will show the following additional information:—

- (a) how the sum has been apportioned between principal and interest;
- (b) the serial number of the loan in the ledger;
- (c) the name of the borrower if the amount has been deposited by a person other than the borrower.

The receipts shall be prepared in triplicate, one copy will be given to the payer, the other will be sent to the Revenue Commissioner, and the third will be retained in the Tehsil.

(54) As soon as possible after the 1st April and 1st October, in each year, the Tehsildar shall submit to the Revenue Commissioner the *khatauni* (form V) with all the entries of collections completed and totalled, and a total of the arrears shown as outstanding together with a certificate to the effect that he has satisfied himself that the collection of principal and interest have been duly recorded in the ledger.

(55) The entries of receipt in the Tehsil loan ledger shall be checked by the Tehsildar and Naib-Tehsildar upto 10 per cent of the entries and by the inspecting officers to a reasonable extent, at the time of inspections.

(56) The calculation of interest at the time of payment being left to the staff of Tehsils, the Tehsildar or Naib-Tehsildar shall check at least 10 per cent of the calculations during a month and initial the accounts checked in token of verification. Similarly, the inspecting officer shall at the time of the inspection satisfy himself in respect of certain items that the calculations have been correctly

made. In the event of the discovery of any discrepancies a report shall be made to the Revenue Commissioner for necessary action.

(57) The Tehsildar shall exercise a general supervision over the loan accounts of the Tehsil. In particular he is responsible that the ledger and *khatauni*, when the latter is submitted after the close of the half-year, correspond and he shall himself check or require the Assistant to the Revenue Commissioner to check a sufficient number of the entries to ensure that this is the case.

(58) *N.—Accounts of receipt at Revenue Commissioner's office.*—On receipt of the accounts from the Tehsil, the Assistant-in-charge of the *takari* accounts in the Revenue Commissioner's office, shall post the receipts in the register of loans. During this process the correctness of the calculations of the interest credited, shall be checked, and mistakes shall be brought to the notice of the Revenue Commissioner, who will use his discretion as to ordering the recovery of deficiencies, the refund of excess collections, or the adjustment of the accounts as the case may be.

(59) On receipt of the completed half-yearly *khataunis* (para 55) they shall be compared with the loan register, and discrepancies, if any, shall be dealt with as provided in (para 59) above.

(60) *O.—Returns at Revenue Commissioner's office.*—From the receipts (para 54) the clerk-in-charge of the *takari* accounts in the Revenue Commissioner's office shall compile daily totals of each Tehsil under "principal" and "interest". These will be totalled fortnightly and shall form the basis of the periodical returns required to be submitted.

(61) The statement showing the daily totals shall be put up before the Revenue Commissioner, every fortnight, who shall compare it with the memorandum referred to in para 48 and issue such orders as the circumstances may demand.

(62) The Revenue Commissioner shall, at the end of the year, submit an annual statement in such form and with such details as may be prescribed by His Highness' Government.

(63) *P.—Supervision of the works.*—As soon as may be after a loan of class-I has been granted, the Tehsildar shall cause the Patwari of the circle in which the land to be improved is situated to copy into his diary so much of the order granting the loan as relates to the amount of the loan, the nature of the improvement and the time or times by which the whole or parts of the improvement is or are, to be completed. Patwaris shall submit quarterly through the Naib-Tehsildars and the Tehsildars to the Nazim a report as to the expenditure of the loan and the progress of the work for the purpose of which it was granted.

(64) With a view to ensuring the progress reports are duly received, a file should be opened at the Tehsil for each loan with an order sheet. The revenue clerk shall be responsible to see that the reports from the Patwaris are received promptly and will maintain the file. When the work is completed the file will be attached to the payment file and both be deposited together.

(65) These reports should be checked by the Revenue Commissioners when on tour.

FORM I (Rule 21).

Loan (class II) to a single borrower.

The sum of Rs. _____
 is hereby granted to _____
 son of _____
 caste _____
 resident of _____
 as a loan for the purpose of _____
 on the following conditions :—

(1) That the sum shall be repaid to _____
 Government at the _____ Tehsil in the following
 instalments :—

- (1) Rs. _____ on _____
 (2) Rs. _____ on _____
 (3) Rs. _____ on _____
 (4) Rs. _____ on _____

(2) That interest at $6\frac{1}{4}$ per cent per annum shall be payable on the out-
 standing balance of principal at the date of each payment ;

(3) That the loan shall be applied solely to the purpose for which it is
 granted ; and

(4) That if it is proved to the satisfaction of me or my successor in office or
 the Nazim of the district that the loan or any part of it has been applied to any
 purpose other than that for which it is granted, the whole of the loan then
 unpaid with interest, if any, be due, shall be recoverable forthwith.

Signature of officer granting loan with date.

I have understood and agreed to the aforesaid conditions and accept the loan
 accordingly.

Witness _____

Signature of borrower with date.

I have received cash of the amount of _____

Cash paid
Payment order delivered in my presence.

Signature of officer granting loan
 with date.

Signature of borrower with date.

SECURITY BOND.

Whereas a loan of Rs. _____ has been granted
 to the aforesaid _____ for the
 purpose of _____

we, the undersigned, hereby declare that we are jointly and severally liable for

the repayment of the said loan with interest in accordance with the aforesaid conditions.

Signature _____ witness.

Signature _____ witness.

Signature _____ witness.

Entered in the loan register under number

Signature of Revenue Accountant,
Revenue Commissioner's office with date.

FORM II (Rule 21).

Loans of class II granted to several borrowers on joint responsibility.

The sum of Rs. _____ is hereby granted to the persons mentioned in the following list for the purpose of _____ subject to the following conditions :—

(1) That the said persons shall be jointly and severally responsible for the total amount of the several loans granted to them, with interest ;

(2) That the amount of this loan shall be repayable to the State at the _____ Tehsil on the dates and in the instalments mentioned below :—

	Date	proportion of instalment.
(1)		
(2)		
(3)		
(4)		

(3) That interest at $6\frac{1}{4}$ per cent per annum shall be payable on the balance of principal outstanding at the date of each payment ;

(4) That the loan shall be applied solely to the purposes for which it is granted ; and

(5) That if it is proved to the satisfaction of me or my successor in office or the Nazim of the district that the loans or any part of any one of them has been applied to any purposes other than those for which it is granted, the whole of the loan then unpaid, with interest, if any, shall be recoverable from all or any of them forthwith.

And we, the borrowers, having understood and accepted the above conditions and have received the loan accordingly have signed our names or marked the following list in token thereof.

Signature of disbursing officer, with date.

No. in loan register	Serial No. in this list	Borrower	Father's name and caste	Residence	Amount of loan	Borrower's signature or thumb mark, with date
1	2	3.	4	5	6	7

Entered in the loan register, the loans being numbered as in column.

Signature of Revenue Accountant,
Revenue Commissioner's office with date.

At the foot of the list the disbursing officer shall sign a certificate to the effect that the whole amount of the loan (to be expressed in words and figures) has been disbursed in his presence.

Here enter "one-fourth" "one-half," etc., as the case may be. The entries in column first will be filled in by the Revenue Accountant after disbursement.

FORM III (Rule 21).

The sum of Rs. _____ is hereby granted to _____ the son of _____ caste _____ resident of _____ as a loan under Act _____ of _____ for the purpose of _____

(1) on the joint personal security of the persons who have signed the attached bond of the borrower ;

(2) on the security of the property hypothecated by the borrower in the bond attached to this order ;

(3) on the collateral security of the property hypothecated by _____ son of _____ caste _____ resident of _____
viz:— (here enter description of property) and subject to the following conditions:—

(a) That the amount of this loan shall be paid to him in the following instalments :—

(1) Rs.	at once
(2) Rs.	on
(3) Rs.	on
(4) Rs.	on

(b) that the second (third) and (fourth) instalment (s) shall be paid only if it is proved to the satisfaction of me or my successor in office or the Nazim of the district (that expenditure of approximately Rs. _____ and Rs. _____ respectively has been incurred by him on the aforesaid work).

Here enter a description of the improvement to be carried out with details of the place (e.g., *khasra* numbers) and the village.

One of the entries (1), (2) and (3) should stand as the case may require, the others being scored out.

If amounts of expenditure are fixed use the works in this bracket.

If the condition is that certain parts of the work are completed (describe the parts to be completed before each instalment, that _____

and _____ respectively has been completed) when the said instalments shall be due ;

(c) that the whole of the aforesaid work shall be completed before _____ 19 ;

(d) that the amount of this loan with interest at $6\frac{1}{4}$ per cent per annum shall be repayable to the Government at _____ Tehsil in _____ (here enter the number) equal half-yearly instalments (including principal and interest) of Rs. _____ the first repayments being due on _____ and _____ subsequent repayments on every _____ and _____ until the whole loan shall have been repaid with interest ;

(e) that the loan shall be applied solely to the purpose for which it is granted ;

(f) that if it is proved to the satisfaction of me or my successor in office or to the Nazim of the district that the loan or any part of it has been applied to any purpose other than that for which it is granted or that the whole or any part of the improvement is not completed or expenditure has not been incurred by the dates specified in conditions (b) and (c), the whole of the loan then unpaid with interest (if any) chargeable thereon, shall be recoverable forthwith from the borrower or his sureties, or from the property hypothecated by him or them.

Signature of officer granting loan with date.

I have understood and agreed to the aforesaid terms and conditions (and for the due performance thereof, I hereby hypothecate the following property) :—

Witness

Signature of borrower with date.

First instalment Rs.

paid in cash in my presence
payment order delivered in my presence

Signature of officer with date.

The dates for repayment should be fixed with regard to local circumstances and the dates for payment of rents and revenue (*vide* rule 41).

The words in brackets to be struck out if another person gives security.

It is convenient to maintain separate registers for loans under _____ and keep together the entries relating to one Tehsil.

A.—In the following examples accounts interest is calculated at the rate of $6\frac{1}{4}$ per cent per annum.

[illegible]

FORM V-A (Rule 48).

Khatauni of demands under _____ for Tehsil _____ in
the _____ Nizamat for the year $\frac{\text{ending the 30th April}}{\text{31st October}}$ 193 .

[illegible]

FORM V-B (Rule 48).

Combined Ledger—Khatauni

Year 19 Tahsil Nizamath Season Mauza.

Serial No. of the loan in the form of V-B	Serial No. of the loan in the headquarter register form IV	Name of borrower and father's name	Residence	Amount and date of loan	First <i>qist</i>						Second <i>qist</i>						Balance				
					Recoveries						Recoveries						Balance Recovered				
					First instalment	Date and <i>sikha</i> number	Principal	Interest	Total	Balance	Second instalment plus balance provisions instalment (if any)	Date and number of <i>sikha</i>	Principal	Interest	Total	Balance due	Date and <i>sikha</i>	Number	Principal	Interest	Total
					6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22

FORM VI (Rule 27.)

Ledger.

Number of loans in headquarters loan register _____
 Account of loan of Rs. 400 (a) 30 (b) granted to _____
 son of _____ caste _____ resident of _____
 Tehsil _____ on 16th November, 1928,
 under—

(Here enter instalments
 (if any) of advances
 made.)

1. on _____ Rs. _____
2. on _____ Rs. _____
3. on _____ Rs. _____
4. on _____ Rs. _____

(In this space enter notes of reports made under paragraph 39.)

and repayable by the following instalments :—

(a) () equated instalments of Rs. 28 each on 15th May,
 and 15th November each year, the first instalment being due on
 15th May, 1930.

(b) () Rs. 5 principal on 15th May, 1929.
 Rs. 5 " 15th November, 1929.
 Rs. 10 " 15th May, 1930.
 Rs. 10 " 15th November, 1930.

Details of security :—

CHAPTER VII.

CREDIT FOR AGRICULTURE, MINOR INDUSTRIES AND INTERNAL TRADE.—(*contd.*)

129. *Present method of marketing the principal crops.*—The present method of marketing the crops in the State are yet crude. In order to make the matter quite clear we propose to deal with this part of the chapter a bit more elaborately. The prosperity of the agriculturists and the success of any policy of general agricultural improvement depend to a very large degree on the facilities which the Agricultural community has at its disposal for marketing to the best advantage such of its produce as is surplus beyond its own requirements. Transportation is an integral part of marketing; and modern commercial development tends to enhance the value and importance of good communications.

130. In this respect we need a comparison of Bikaner State between now and before the railways. Before the railways the unit of the economic life of the people was the village. The distribution of the occupations in it was of the simplest kind. The village grew most of its food supplies and provided from its own resources or obtained from close at hand its few simple wants. The villages had their own weavers and their own artisans. The opening of the railways in the State which stand to-day more than 700 miles from one end of the State to the other, have opened markets both for the sale and export of raw products and the import of manufactured goods.

131. There is, however, absence of good roads in Bikaner State and this may be accounted for not owing to any unwillingness of the State to construct them, but the natural conditions of the State are a great impediment to the construction of roads, which cannot be overcome. The first cause is that nearly the whole of the State is covered with blown sand which has been driven up from the Runn of Cutch, and which is blown throughout the summer months, and sometimes takes the shape of sand-cyclones. The second cause is the absence of road metal in all the parts of the State, except at Darbari, a place about eight miles from the capital. But these obstacles have been overcome in great measure by motor transport on the one hand and camel transport—which is a characteristic animal of the region on the other hand. We do feel the necessity of the development of roads other than main roads, but we cannot emphasise this point as we do realise the draw-back nature has placed in the way of road development in the Bikaner State. We are, however, glad to state that the Gang canal area will shortly have a net work of roads throughout.

132. The following are the *mandis* in Bikaner State:—

A.—Sri Ganganagar district.

- | | | |
|-------------------|--|----------------|
| 1. Ganganagar, | \| | 4. Bijainagar, |
| 2. Karanpur, | \| | 5. Orki, and |
| 3. Raisinghnagar, | \| | 6. Anupgarh. |

B.—Suratgarh district.

- | | | |
|-----------------|--|-------------------|
| 1. Sadulshahar, | \| | 3. Sangaria, |
| 2. Hanumangarh, | \| | 4. Suratgarh, and |
| | | 5. Lakhowali. |

C.—Bikaner district.

- | | | |
|-------------|--|-----------|
| 1. Bikaner. | \| | 2. Nokha. |
|-------------|--|-----------|

D.—Sujangarh district.

- | | | |
|----------------|--|-----------------|
| 1. Sujangarh. | \| | 3. Ratangarh. |
| 2. Dungargarh. | \| | 4. Sardarshahr. |

E.—Reni district.

- | | | |
|------------|--|-----------------|
| 1. Nohar, | \| | 3. Rajgarh, and |
| 2. Bhadra, | \| | 4. Churu. |

133. Among these markets there is a very big difference in character and importance. At one end of the scale are the elaborate modern *mandis* of the Gang canal area which consist of a set of shops built round three or four sides of a rectangle, a wide brick pavement being provided for unloading, examining, cleaning, bagging, and weighing the grain. The market is as near to the railway goods platform as possible. In such markets cotton, wool and grain are the main products sold. At the other end of the scale are the small markets which are not endowed with any modern equipment.

134. By the above description it would be seen that in one district the goods are sold nearly in all the *mandis*, *e.g.*, in the Gang canal area, while in the others, the villagers sell their produce in the adjacent villages to the Mahajan to whom they are mostly indebted and it is the Mahajan or the middleman who markets the produce in *mandis* or exports the surplus goods to other Indian markets.

135. Much of the produce is sold in the village itself before being brought to the *mandi*. The Mahajan, who in most cases is also the *beopari* lends money largely on the promise of the repayment in kind at the market rate prevailing during the harvest days, and immediately the crop is ready the Sahukar presses for repayment and when the grain has been taken out of the field he takes away his share of the grain and sometimes rather invariably the whole of the produce. When instead of a money-lender, the creditor is the landlord, he takes away the crop from the cultivator for the money he has to recover from the cultivator. Some money-lenders go so far as to pay the loan on the condition of taking away the standing crop from the fields. There is also a custom invariably in many Nizaniats of the State as to the prescriptive rights of the creditor on the crop. The crop is mortgaged to the money-lender and on the credit of crop and cattle, where there are no proprietary rights in the land, money is available, and consequently the creditor keeps his lien on the crop. This right is partly acquired by the existing law and partly by custom. Besides there are the professional carriers called the *banjaras* who purchase the corn from the villagers and sell the grain in the *mandi*, on their own account, or exchange the corn in return for the supply of articles of daily necessity, *e.g.*, salt, tobacco, oil, jagri, and the like.

136. There are again transactions in the village markets on every eighth day. They are commonly called "*painths*" or "*hats*". Here the corn dealer on the one hand and dealers in the village necessities of life on the other hand assemble, who are all producers of one article or the other. They either exchange

their wares between one another keeping the corn as medium of exchange or sell to each other for cash. Here is exhibited the typical old type of marketing, where the producer is the shopkeeper, the buyer and the seller. In this respect we can cite the example of cattle fairs that are held in the State in various places, where dealers of one kind of cattle go to the owners of the other kind of cattle for sale and purchase.

137. The cultivator who is largely indebted to the village money-lender sells his wares to the indigenous banker and money-lender both on account of hereditary custom and his indebtedness. There are always two prices known as the bazar prices and the harvest prices, *i.e.*, those which govern transactions between the producer and the dealer. Between the two there must necessarily be a difference, representing the profit of the grain dealer after his purchase and the cost of carriage to the market. But the grain dealer class composes a guild or fraternity to which not only no outsider can get admittance but which also monopolises the money-lending and grain merchants' trade. Thus the members, be they Mahajan or Zamindar money-lenders can compete the producer, who lives solely by the advances they give, to bring his produce to them and prevent him from getting the full market value for his produce. The village money-lender in turn takes the goods to the *katcha aratia* or the town shopkeeper and sells the produce through him. Following charges are incurred for selling the produce through the *katcha aratia* :—

Statement of charges.

Arat (comission)	..	...	from $\frac{1}{2}$ per cent to $1\frac{1}{2}$ per cent.
Other incidental charges, <i>e.g.</i> , charity, sweeper, waterman, etc....	...	...	$\frac{1}{4}$ " "
Grain <i>katauti</i>...	...	...	$\frac{1}{2}$ seer per maund.
Samples	...	...	$\frac{1}{4}$ seer per maund.
Municipal and other charges	...	...	$\frac{1}{5}$ per cent. to $\frac{1}{2}$ per cent. of the value of grain.
<hr/>			
Total charges average	...	...	$1\frac{1}{4}$ per cent.
<hr/>			

138. The methods of the grain dealer are not always straight-forward and honest, if he is himself the purchaser, he generally manipulates in the weight and this is an additional gain to him. The broker or as he is usually called the *dalal* exists in certain *mandis* while there is no *dalal* in smaller *mandis*. There are two methods of doing business as practised by these *dalals*, *viz.*, *khula hát* and the *dhaka hát*. *Khula hát* means transaction done by a word of mouth, while *dhaka hát* signifies transactions done under a piece of cloth by catching fingers. Where there are no *dalals*, transactions are completed directly between the producer or the village *bania* and the *katcha aratia*. In some of the *mandis* there is the custom of storing the grain in bits and auction them by hammer stroke to the highest bidder.

139. The *aratia* at the *mandi* having purchased goods either for self or on account of a certain other merchant transports the grain or cotton to the *pacca aratia* to other Indian centres. The commission generally charged is one per-centum as also the rate of interest on *sahukari* system at the rate of seven annas and nine pies per hundred rupees per month.

140. *Difficulties of marketing.*—We have already explained in the earlier part of this chapter the difficulties of communication. The other difficulties are the primitive methods of transport on camels, which generally reduce the market value of the produce it having been already deteriorated during transit, as also wastage in weight due to leakage of the produce in the way, the carrying bags not being very secured and in good condition.

141. The other important difficulty is of weights and measures. From all parts of the State we received complaints of the disabilities under which the cultivator labours owing to the chaotic condition in which matters stand in respect of the weights and measures in general use in the State and the hampering effect that it has upon trade and commerce generally. In wool trade, some extra wool is taken under the pretence of dirt, grease, etc. Cotton is weighed in a different way; oil and salt are given by measures; while grain is weighed in a different way. All these systems force the cultivator and producer to part more of his produce for less weight. Innumerable other examples of a similar character can be cited, but those given are sufficient to show that there is a justification in our urging the examination of this question by District Nazims through local committees or through a committee of official and non-official members and reported to the Government.

142. *Effect of indebtedness on marketing.*—We have briefly touched upon this point in the last chapter. But this is so important a point, that we again deem it necessary to state it in brief here. In spite of the diversity of the system under which the agricultural produce is marketed in various parts of the State, there is one broad generalisation which can be made for Bikaner State as a whole. It has, we think, been established that, where the cultivator is in a position to dispose of his produce in a market, however, limited its scope and badly organised its character, he obtains a much better price for it, even when the cost of transport is taken into consideration, than when he disposes of it in his own village. There can be no doubt that it is his indebtedness to the money-lender and trader which compels him to resort to the village money-lender and trader and to accept the terms dictated by him.

143. *Part played by middle-men.*—With such exceptions where the middle-man may be condemned, and which we have already stated we wish to make it clear that we have no prejudice against the middle-man, and while urging for the reorganisation of the machinery of finance, we do not advocate the elimination of his services. It may be stated that in the economic organisation of the modern world, he fulfils essential functions as the collection and distribution and the accommodation of supply to demand between locality and locality are everywhere complicated and it is not possible to perform this part of the business without these skilled men. We only urge for the removal of defects in the practices of middle-men, and by such removal, we anticipate they will prove useful to the industry as a whole.

144. *Possibility of pools and sale societies.*—There is enough of evidence on the possibility of forming co-operative pools, but this can only be done in the canal area with more hope of success than in other Nizamats. We think that to start with co-operative sale societies can be profitable and of advantage to the cultivators. Our recommendation is based on the experience of what co-operation in other parts of India has attained, but in Indian centres not much success

has as yet been achieved in this direction, and the reasons which are put forward, are that the power of age-long customs has confined the business of purchase of agricultural requirements and the sale of agricultural produce to castes and tribes other than those whose traditional occupation is husbandry, and the accumulated knowledge and experience possessed by members of those castes and tribes are not readily available to others. Moreover, there are features of the village shopkeeper's business which cannot be initiated by the co-operative society. A co-operative society for purchase or sale aims at a fair price alone ; there is little profit to be derived ; it cannot, like its rival seek to cover expenses by risks and mal practices. Before anything approaching a wide-spread movement for co-operative purchase or sale can come into being, there must be intensive education of the people in such matters as the benefits to be derived from cash purchase, the evils of forward buying, the relation of prices to accurate weighment, and loyalty in face of inducement to the contrary.

145. There are, however, societies and specially in the Punjab which are doing really good work, and on the strength of such an experience, we would recommend for the immediate start of co-operative sale and purchase societies in the colony area and other parts of the State where people may show some inclination to start them. A co-operative store for Government officials with all necessaries of life at Bikaner and Ganganagar ; a co-operative cotton pool at Ganganagar ; a co-operative wool society at Suratgarh and one at Sujangarh ; a co-operative *ghee* society at Bhadra and one at Bikaner ; two hides and skins societies one at Hanumangarh and the other at Rajgarh.

146. *Licensed ware-houses.*—This is quite a new thing for the Bikaner State, and though people have expressed their desire for the opening of such ware-houses in the State, we consider that the time is not yet ripe when such ware-houses can work satisfactorily. When the existing credit facilities can be supplemented, extended or modified, it would then only be possible to think of such a venture. We would, however, recommend as suggested by the Revenue Minister for the establishment of two ware-houses, one at Ganganagar and the other at Bikaner Railway stations managed by the railway department, if possible, on the lines pointed out in another chapter.

147. *Better organisation of market.*—No systematic survey of the conditions under which agricultural produce is marketed in the Bikaner State has yet been made in any Nizamat. We expected some information from the replies to our questionnaire, but not much information is forthcoming. We have been able to gather certain points and we would desire the organisation of co-operative markets specially in the canal area and at Bikaner on these lines. This part of the work is difficult to be achieved by any official committee but can be done by an association like the chamber of commerce. There is a great need of properly organised markets in the State ; the importance of such markets lies not only in the functions they fulfil, but in their influence upon production. Well-regulated markets create in the mind of the cultivator a feeling of confidence and of receiving fair play and this is the mood in which he is ready to accept new ideas and to strive to improve his agricultural practice. Unless the cultivator is certain to secure adequate value for the quality and purity of his produce, the effort required for any improvement will not be forthcoming. We want well-regulated markets in the Bikaner State for at least the special products

immediately, *e.g.*, wool market like the wool markets of Fazilka and Beawar ; cotton market like the Berar cotton market ; hides and skins market like the Amritsar and Cawnpore markets. We desire for a philanthropic propaganda aided by the State for these commodities at once, to restrict export without articles going through the regulated markets under expert hands, and the method may be left to be determined by the proposed chamber of commerce.

148. We now turn to the establishment of a chamber of commerce in the Bikaner State. We propose a chamber of commerce to be established at Bikaner with branches in other important centres in the State. We do not favour the establishment of separate chambers in various places of the State as one institution will have more centralised activities to direct and regulate the operations connected with commerce and trade in the Bikaner State than a number of such institutions scattered in small *mandis*, with various classes of management ; but if necessary Ganganagar may be exempted and allowed to have a separate chamber of commerce.

149. In this connection we would refer to the resolution tabled by Seth Ram Ratan Das Bagri in the last session of the Bikaner Legislative Assembly and the reply of the Government in this behalf. We have framed the rules for the establishment of a chamber of commerce. We invited opinion on the subject from various officers and non-officials and received the reply of the Minister-in-charge of Commerce and Industries and we put below the draft rules and regulations of the chamber of commerce after review of the rules as considered advisable after the receipt of the reply of the Minister in-charge of Commerce and Industries :

(1) *Draft rules and regulations.*—The name of the association shall be the “Chamber of Commerce, Bikaner”.

(2) The registered office of the chamber will be situate at Bikaner.

(3) The object for which the association is established are :—

(a) To promote and protect the trade, commerce and industries of the Bikaner State and in particular the trade, commerce and industries in or with which Bikaneris are engaged or concerned.

(b) To aid and stimulate the development of trade commerce and industries in the Bikaner State with capital principally provided by or under the management of Bikaneris.

(c) To watch over the general commercial interests of Bikaner or any part of the State and the interest of persons, in particular the Bikaneris, engaged in commerce, trade or industry in the Bikaner State.

(d) To consider all questions connected with trade, commerce and industry and to initiate or support necessary action in connection therewith.

(e) To urge or oppose legislation and other measures and to procure change of law and practice affecting trade, commerce and industries in the Bikaner State and in particular those affecting trade, commerce and industries in which Bikaneris are engaged.

(f) To communicate with chambers and other commercial bodies in India and other foreign countries and to concert and to promote measures for protection of trade, commerce and industries, and persons

engaged therein and in particular the trade, commerce and industries in which Bikaneris are engaged within or outside the Bikaner State.

- (g) To collect and to circulate statistics and other information relating to trade, commerce and industries.
- (h) To adjust controversies between members of this association.
- (i) To arbitrate in the settlement of disputes arising out of commercial transactions between parties willing or agreeing to abide by the judgment or decision of the tribunal of the association.
- (j) To establish just and equitable principles in trade.
- (k) To form a code or codes of practice to simplify and facilitate transaction of business.
- (l) To maintain uniformity in rules, regulations and usages in the various branches of trade.
- (m) To promote and advance commercial and technical education and such study of different branches of art and science as may tend to develop trade, commerce and industries in the Bikaner State.
- (n) To encourage, assist and extend knowledge and information connected with the trade, commerce and industries of the Bikaner State whether by establishment and promotion of lectures, discussions or correspondence by holding conferences, by the formation of libraries, by the publication of newspapers, periodicals, or journals, books and maps or by foundation or endowment of professorship, studentship or scholarship, or by encouraging research work, or howsoever otherwise, as may be sanctioned or approved by His Highness' Government.
- (o) To provide rooms and other facilities for holding and conducting sales of property, brokerage and commercial transactions, meetings of creditors, companies and arbitrators and other like matters.
- (p) To acquire, purchase, to take on lease or otherwise, land and buildings and all other property moveable and immoveable, which the association for the purpose thereof may think proper to acquire.
- (q) To accept any bequest, gift, donation or subscription towards or to accumulate and provide a fund or an endowment and to invest the same and apply the income arising therefrom, or to resort to the capital thereof for any of the objects of the association.
- (r) To sell, improve, manage, develop, exchange, lease or let, under-lease or sublet, mortgage or dispose of, turn to account or otherwise to deal with all or any part of the property of the association.
- (s) To construct upon any premises, any building or buildings for the purpose of the association and to alter, improve or, add any building upon such premises.
- (t) To invest the money and the property of the association not immediately required for the purpose of the association's business in such securities or in such manner as may from time to time be determined.

- (u) To borrow or raise any moneys required for the purpose of the association upon such terms and in such manner and on such securities as may be determined and in particular by the issue of debentures charged upon all or any of the property of the association.
- (v) To subscribe, to become a member of, and to co-operate with, any other association, whether incorporated or not, whose objects are altogether or in part similar to those of this association and to procure from and to communicate to any such association such information as may be likely to forward the objects of this association.
- (w) To do all such other things as may be conducive to the development of trade, commerce and industries or incidental to attainment of the above objects or any of them.

(4) The income and property of the association whencesoever derived shall be applied solely towards the promotion of the association as set forth in these rules and no portion thereof shall be paid or transferred directly or indirectly by way of dividend or bonus or otherwise howsoever by way of profit to the persons who at any time are, or have been members of the association or to any of them or to any person claiming through any of them provided that nothing herein contained shall prevent :—

- (i) the payment in good faith of remuneration to any officer or servants of the association or any member thereof, or other person in return for any services actually rendered to the association or the payment of imprest or money borrowed from any member of the association ;
- (ii) any payment of allowance or concession to members by way of rebate or return of subscriptions in accordance with the regulations for the time being of the association ;
- (iii) the gratuitous distribution among or sale at a discount to members of the association of any books or publication not required for the furtherance of its objects.

(5) The fourth paragraph of this memorandum is a condition on which a licence will be secured from His Highness' Government.

(6) Every member of the association undertakes to contribute to the assets of the association a sum of rupees ten as an entrance fee.

(7) For the purpose of registration the chamber will consist of not more than 500 members.

(8) The committee may, when it thinks fit, register an increase of members with the approval of His Highness' Government.

(9) *Members.*—Every individual, firm, joint stock company or other corporation, who or which signs the application form issued in the name of the chamber upto the date of its sanction by His Highness' Government and get their name entered in the register of members, shall *ipso facto* and without election be a member of the chamber and have his or their name entered in the register of members.

(10) Merchants, bankers, dealers, representatives of commercial firms, transport or insurance companies, brokers and persons engaged in commerce, agriculture, mining or manufacture and persons engaged in or connected with art, science or literature who are Bikaneris shall be eligible for election as members of the Chamber.

(11) Any firm, joint stock company or any other corporation engaged in or connected with commerce, agriculture, mining or manufacture shall be eligible for election as a member of the chamber in their conventional or corporate name, provided that when they apply for election in the case of a firm not less than one half proprietary interests thereof is represented by a Bikaneri or Bikaneris and in the case of a joint stock company and other corporations not less than one half of the directors are Bikaneris or not less than one half of its capital is owned by the Bikaneris, provided, however, notwithstanding anything hereinbefore contained, any company or other corporation which is a public utility concern in Bikaner shall be eligible for election as a member of the chamber. Any firm, company or corporation being a candidate for election as a member of the chamber shall send with the proposal form a declaration on the prescribed form of the chamber that he is eligible for election as a member for this chamber.

(12) Subject to the provisions and restrictions the rights and privileges of membership may, in the case of a firm elected in their conventional name as a member of chamber, be exercised by any partner in such firm or by such person authorised by power of attorney or letter of procuration or otherwise to the satisfaction of the committee to sign the name of the firm or to sign such name per procuration and may, in the case of a joint stock company or other corporation, elected in their corporate name as a member of the chamber, be exercised by a director, manager, secretary or any other responsible officer of the company or corporation or a person authorised by power of attorney to exercise the same or any other person who in the opinion of the committee is competent to exercise the same on behalf of the company or corporation subject nevertheless to the following reservations, namely :—

(a) The representative of a firm, joint stock company or other corporation entitled under these rules to exercise the rights and privileges of membership must have their names registered in the books of the chamber in order to exercise the aforesaid rights and privileges.

(b) Notwithstanding the provisions of article 10 of these rules a registered representative exercising the rights and privileges of membership in respect of a firm, company or corporation elected under the last preceding article may be a person who is not a Bikaneri.

(c) For each act of exercise of the rights and privileges of membership by a firm, company or other corporation member, only one representative shall be recognised.

(d) Only one registered representative of a firm, company or other corporation members shall be entitled to attend a meeting of the chamber and take part therein.

(13) A candidate for election as member of the chamber whether an individual, firm, joint stock company or other corporation shall be proposed by one and seconded by another member, and may after previous circulation of ^{his} ~~their~~ name (s) among the members of the chamber be provisionally elected by the

committee and such election shall be subject to confirmation at any ordinary or special general meeting. The proposal form setting out such details as may be prescribed by a committee from time to time shall be sent to the secretary, signed by the proposer and the seconder. A member provisionally elected by the committee shall exercise the full rights and privileges of membership.

(14) The committee shall decide any questions which may arise as to eligibility or otherwise of a candidate for admission as a member of the chamber and their decision shall be final and they shall not be bound to assign any reason for their action.

(15) Except as hereinafter provided a firm shall not cease to be a member by reason only of change in the constitution of the firm occasioned by the admission, retirement or death of a partner provided the business of the firm is continued in the conventional name in which such firm was elected a member.

(16) A firm, joint stock company or other corporation shall *ipso facto* cease to be a member of the chamber upon any change being made in conventional or corporate name of the firm, company or corporation.

(17) Any member may withdraw from the chamber by giving two months' notice in writing to the secretary of the intention of such member so to do and upon the expiration of the notice such member shall cease to be a member of the chamber.

(18) A member shall cease to be a member of the chamber :—

(a) in case a member is an individual, if he is an undischarged insolvent or if he is adjudged by a competent court to be of unsound mind or if he is convicted of an offence involving moral turpitude ;

(b) in case of a firm if it is dissolved or adjudged insolvent or the partners are convicted of an offence involving moral turpitude ;

(c) in case of a company if it is wound up.

(19) An annual subscription of Rs. 24 shall be paid by each member of the chamber whose registered address is within the jurisdiction of the Bikaner State. All members elected after the 30th June shall pay one half of the above amount for the remainder of the year. The first subscription of each new member shall be due on election and all other subscriptions shall be due on first of January of each year and shall be paid in one instalment.

(20) A majority of three-fourths of the members present in a meeting and entitled to vote may, by a resolution, remove from the list of members the name of any member or refuse to confirm ^{his}_{their} provisional election by the committee. Any such person, firm, company or corporation shall, from the passing of such resolution cease to be a member of the chamber or to exercise the rights and privileges of membership as the case may be.

(21) Any member, who shall by any means cease to be a member, shall remain liable for and shall pay to the chamber all money which at the time of such member ceasing to be a member, may be due from such member to the chamber.

(22) Any member whose subscription shall be three months in arrears and who shall not pay such arrears within two months after written notice, calling for such payments, shall cease to be a member. Such notice shall be issued by the secretary to a member under the express direction of the committee,

(23) The committee may invite any person being a Bikaner Government official, connected with trade, commerce or industries, or a person distinguished in public service at a meeting of the chamber or of the committee as they may think fit from time to time.

(24) *Register of members.*—A register of members shall be maintained in which shall be entered such information about the members as the committee may from time to time decide.

(25) There shall also be maintained a register containing the names of the representatives entitled to vote or exercise the rights of membership on behalf of the firm, corporation and association who are members of the chamber.

(26) Any firm, company, corporation or association desiring to change the name of its representative shall notify that desire to the secretary, who shall effect the change provided, however, that the new representative shall not be entitled to vote, or exercise any other rights in his representative capacity unless his name has been notified to the secretary at least 72 hours before the time at which such meeting is held or the right is sought to be exercised.

(27) *Administration.*—The administration of the affairs of the chamber shall be vested in a body hereinafter called the managing committee.

(28) There shall be following officers of the chamber, *viz.* (a) president, (b) two vice-presidents, (c) seven ordinary members of the managing committee and (d) a secretary. The officers and the secretary of the chamber shall act without remuneration, but when the work of the chamber has been substantially increased, the secretary may be a paid official. The members shall be officials as well as non-officials.

(29) The managing committee shall consist of ten members, *viz.*, the president, two vice-presidents of the chamber and seven ordinary members.

(30) The first managing committee of the chamber shall be composed of the members as may be elected by the chamber in its first meeting convened by the convener.

(31) The president, vice-presidents, and members of the committee shall retire at each annual general meeting, but shall be eligible for re-election.

(32) If the president, vice-president or any member of the committee do not attend ten consecutive meetings of the committee, the committee shall declare his office vacant and he shall thereupon cease to be a member of the committee.

(33) *Election.*—At each annual general meeting there shall be elected the president, vice-presidents and such ordinary members of the committee as can be elected according to article 34 below.

(34) The election of the president, vice-presidents and members of the committee shall be determined by a majority of votes of the members of the chamber to be taken by voting as hereinafter described.

(35) At least one month before the date of the annual general meeting, not being later than 15th January in each year the secretary shall issue a notice inviting the members to communicate their intention to serve as the president, a vice-president or an ordinary member of the committee, to be elected by the members of the chamber and the members shall within seven days from the date thereof, write to the secretary intimating their intention.

(36) The secretary shall cause to be entered names of all such persons who have communicated their candidature for election as the president, vice-presidents or a member of the committee to be elected by the members of the chamber in the voting papers which shall be sent to the members, signed and numbered by him, clear 14 days before the date of the annual general meeting. The members shall return the voting papers to the secretary, clear seven days before the date of the annual general meeting after which no voting paper shall be received.

(37) On the return of the voting papers to the secretary each paper shall be examined by two members (not being candidates for election as members of the committee) who shall be appointed by the committee as scrutinisers. Of the candidates for election as the president and the vice-president, the candidate securing the highest number of votes shall be elected as the president and the candidate securing the next largest number of votes shall be elected as senior vice-president and the vice-president of the chamber respectively. The election of the members of the committee to be elected by the members of the chamber shall be determined by a majority of votes secured by the candidates seeking such election as ordinary members. The reports of the scrutinisers shall be published by the secretary at least three clear days before the date of the annual general meeting.

(38) *Auditor*.—At each annual general meeting an auditor shall be appointed, but if no auditor is appointed the Minister-in-charge of Commerce and Industries shall nominate an auditor for that year.

(39) *President*.—The president shall preside at all meetings of the committee, at all general meetings and lead all deputations. He shall preside at the annual general meeting, may address the members on such subjects as he may deem proper but such address shall not be taken to represent the views of the chamber or of the committee unless such representation is expressly indicated.

(40) The president shall also at any time when he shall deem proper, communicate to the chamber or to the committee such matters and make such suggestions as may, in his opinion, tend to promote the prosperity and welfare and increase the usefulness of the chamber and shall perform such other duties as may be incidental to the office of the president.

(41) *Vice-president*.—The senior vice-president in the absence of the president shall have the powers and perform the duties of the president. In the absence of both the president and the senior vice-president the powers and duties of the president shall be exercised and discharged by the other vice-president.

(42) *The committee*.—The committee shall meet at such times as they or the president may deem advisable, and may make such regulations as they think proper for the summoning and holding of meetings of the committee, and for the transaction of the business at such meetings and the record of their proceedings shall be open to the inspection of the members subject to such regulations as the committee may from time to time deem expedient to make.

(43) The President or in his absence, the vice-president shall be the *ex-officio* chairman of the committee. In the absence of both the other vice-president shall act as chairman.

(44) Three members of the committee shall form a quorum for the transaction of the business, provided, however, that at any adjourned meeting

of the committee, any number of members not less than two may proceed to transact the business.

(45) A yearly report of the proceedings of the committee shall be prepared, printed and circulated for the information of the members of the chamber at least three days previous to the annual general meeting. Such report shall be submitted to the annual general meeting for adoption and to the Government of Bikaner in the Department of Commerce and Industries for information.

(46) The management of the business and fund of the chamber shall be vested in the committee. In addition to the powers by these rules expressly conferred upon them the committee shall be entitled to exercise all such powers and do all such acts and things as may be done or exercised by the chamber including the carrying out of all objects of the chamber as set forth in these rules provided that any of them is not hereby or by law expressly directed or required to be exercised or done by the chamber in a general meeting.

(47) Without prejudice to the generality of the powers conferred by the article 42 hereof, the committee shall have powers:—

- (a) to make, vary and repeal rules for the regulation of the business of the chamber, of the officers or servants or of the members of the chamber or of any department or section of the chamber, but with the final approval of the Bikaner Government in the Department of Commerce and Industries, these rules shall be registered by the Minister-in-charge of Commerce and Industries ;
- (b) to appoint any departmental committees or sub-committees of the members of the committee or the chamber ; such departmental committee or sub-committee may be permanent or temporary as the committee may determine ;
- (c) to delegate, subject to such conditions as they think fit any of their powers to departmental committees or sub-committees and to make, vary, repeal rules for the regulation of the proceedings of departmental committees or sub-committees ;
- (d) to enter into arrangements upon such terms and subject to such conditions as the committee may deem desirable for working in connection with any association organised for the protection or better development of any branch of trade, commerce and manufacture by Bikaneris or with like objects that they may apply to be allowed to work in connection with the chamber, provided that the objects for which such association is or shall be formed are not inconsistent with the objects of the chamber as defined in these rules.
- (e) to make such rules as the committee may consider expedient for the regulation of the joint working of the business of any association connected with the chamber or for the purpose of defining the terms and conditions or the joint working of the business of such associations or as may from time to time be agreed upon between such associations and the committee ;
- (f) to appoint and from time to time remove such clerks and servants in the employ of the chamber as the committee will think fit, and to fix the remuneration to be paid.

(48) 1. *Secretary*.—The secretary shall devote himself to the business and affairs of the chamber except in cases where he has received the special permission of the committee.

2. He shall have charge of all correspondence and shall keep an account of the funds of the chamber and of funds connected with or in any way controlled by the chamber and of all moneys received and spent by the chamber and of the assets and liabilities of the chamber.

3. He shall keep accurate minutes of all meetings of the chamber and of the committee, of the departmental committees and sub-committees and of all associations connected with the chamber.

4. He shall have the care of rooms, furniture, library, pictures and of all documents belonging to the chamber.

5. He shall give notice of all meetings of the chamber, of the committee, of the departmental committees and sub-committees of the chamber and of all associations working in connection with the chamber.

6. He shall duly notify members of their elections, shall countersign all cheques signed by the president or any chairman of the association, fund or committee, shall collect all dues of the chamber and grant receipts.

7. He shall endorse all cheques, dividend warrants, and other negotiable instruments.

8. He shall institute, prosecute and defend suits and other proceedings in which the chamber may be concerned.

9. He shall prepare the annual report of the chamber, and balance-sheet under the guidance of the committee and the report of all committees and all associations, connected with the chamber and generally shall perform such duties as are incidental to his office.

(49) *Auditor*.—The auditor shall audit the accounts of the chamber or departments of the chamber and of all funds connected with or controlled by the chamber.

(50) The auditor of the chamber shall have right of access at all times to the books and accounts and vouchers of the chamber and shall be entitled to require from the members of the managing committee of the chamber, such information and explanation as may be necessary for the performance of the duty of the auditor.

The auditor shall make a report to the members of the accounts examined by him, and on every balance sheet laid before the chamber in general meeting during his tenure of office, and the report shall state :—

(a) whether or not he has obtained all the information and explanations he has required, and

(b) whether in his opinion, the balance sheet referred to in the report is properly drawn up so as to exhibit a true and correct view of the state of affairs of the chamber's accounts according to the best of his information and explanation given to him and as shown by the books of the chamber,

A copy of the balance sheet so audited shall be submitted to the Minister-in-charge of Commerce and Industries.

(51) *General meetings.*—A general meeting shall be held in the month of February in every year at such place as the committee may consider convenient for the despatch of the business at which report of the proceedings of the committee and the yearly accounts shall be submitted for confirmation. Such meetings shall be called annual general meetings.

(52) The committee may, whenever it thinks fit, convene a special general meeting either for purpose of transacting any special business or for placing before the members of the chamber a review of their activities in the preceding months.

(53) A special general meeting shall be convened by the committee upon the requisition of not less than one-tenth of the members of the chamber subject to a minimum of ten. The requisition so made shall express the object of the special general meeting proposed to be called and shall be presented to the secretary.

(54) Upon the receipt of a requisition under the last preceding article the committee shall forthwith convene a special general meeting. In case the committee for ten days after the delivery of such requisition fails to convene a special general meeting to be held within 21 days of such delivery, the requisitionists may themselves convene a meeting to be held within 76 days after such delivery. If for consideration of any matter notices longer than clear six days are required, such longer time shall be added to the several periods mentioned above.

(55) Notice of seven clear days shall be given of a special general meeting convened to place before the members a review of the activities of the committee or consider any important matter in which the committee may desire to consult the members, longer notices of not less than clear 14 days shall be given of special general meetings convened for other purposes as may from time to time be determined by the committee.

(56) The non-receipt of a notice convening any general meeting by any member shall not invalidate the proceeding at any such meetings.

(57) Fifteen members present and entitled to vote at an annual general meeting shall constitute a quorum, but at any special general meeting 20 members present and entitled to vote shall constitute a quorum. Any person representing different members shall be counted only as one, proxies not being allowed for the purpose.

(58) If within half an hour from the time appointed for a special general meeting a quorum of members is not formed, the meeting, if convened on the requisition of members, shall be dissolved. In any other case the meeting shall stand adjourned to the same day in the following week at the same time and place and if at such adjourned meeting the quorum of members is not formed, the business on the agenda shall be transacted by the members present whatever be their number.

(59) The chairman may with the consent of the meeting adjourn it from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

(60) Every question submitted to a general meeting shall be decided by a majority of members present and voting at such meeting.

(61) *Vote of members.*—Every member shall have one vote. In case of any equality of votes, the president shall exercise a casting vote. No proxy shall be allowed in the meetings.

(62) *Notices.*—A notice may be served upon any member either personally or by sending it through the post in a prepaid letter addressed to such member at such member's registered address.

(63) *Seal.*—The committee shall forthwith provide a common seal for the chamber, the seal shall be deposited with the secretary and shall never be affixed to any document except in the presence of the president or vice-president and in pursuance of the resolution of the committee or of the chamber in general meeting. Deeds, bonds and other documents required to be made under seal shall be deemed to have been duly executed on behalf of the chamber if sealed with the common seal of the chamber and signed by the president or vice-president and the secretary or the person acting as secretary.

(64) *Winding up.*—If the chamber shall be wound up, and the assets available are not disposed of within three months by the members of the committee the affairs shall be placed at the disposal of the Minister-in-charge of Commerce and Industries for such public benefits as he deems proper.

The liquidator of the chamber shall be a judicial officer appointed by His Highness' Government.

150. The proposed chamber of commerce will be in a position to settle disputes arising through commercial transactions where specific provisions are made for the settlement of disputes arising between the seller and the purchaser.

151. There is also a provision in the rules for the publication of marketing information by the chamber of commerce, through its official organ which will facilitate the merchants in dealing with the produce more effectively.

152. The chamber of commerce will carry on a propaganda which we hope shall prove a most useful channel for the development of the commerce and trade in the Bikaner State.

153. *Finance for marketing produce.*—During the course of our examination we could understand that there is little money-lending for the marketing finance but a great deal of advance payments against the goods. None of the merchants or dealers in our opinion has the requisite funds to do money-lending for marketing finance. The operations are carried on by advances from party to party. The village money-lender or the village *bania* advances money against the produce to the cultivator, he in turn is financed by the town money-lender (*katcha aratia*) what we know of the *katcha aratia*, when goods are sent or about to be sent to a *pacca aratia* in the cities, the *katcha aratia* usually draws from 75 per cent to 90 per cent of the face value of the produce on the *pacca aratia*. The *pacca aratia* discounts his bills either from the exchange or joint stock banks in the ports or from the shippers like Ralli Brothers, E. D. Sassoon and Co., Andrew Yule and Co., and so forth till the goods reach the consumer in the foreign markets.

154. Negotiable instruments are used all through in the payment and settlement of these accounts. The village money-lender asks for payment either through a *chitthi*, *rukka* or *purza* from the town money-lender, who in turn

draws *darshani hundi* on the *pacca aratia* and he draws either on the shipper on documents, or discounts his bills of lading from the banks. There are other methods of payment also, *e.g.*, the *beopari* in the ports not finding a *hundi* on the town where money is to be sent, cuts the G. C. notes in two halves and sends under insured post to the town money-lender or to the *katcha aratia*. When the latter acknowledges the receipt of the first halves of the G. C. notes the second halves are forwarded to him in the same way. When taking this course the traders are generally in the habit of insuring the packets under value in order to save certain charges. No other form of remittance is practised in the State. Bank drafts are not used as there are no facilities in the State, while money-orders are rarely resorted to.

155. When the produce is ready after reaping the harvest, the village *bania* purchases it, and stores it with the town *bania* against some advance usually about 75 per cent if there is no favourable market for the sale of produce or there is no demand from abroad, or no buyers. In the same way the town *bania* gets advance, when the goods have reached destination. There is however a large practice of drawing 75 per cent to 90 per cent of the face value of the invoice against the railway receipts. The railway receipts are generally accompanied by *darshani hundis* to that extent.

156. *Darshani hundis* are the most popular documents, against which payment is received and given by the Mahajans, while the second class of documents are used by the traders here. The reasons for this may be (i) the hereditary instinct, (ii) the respect for the *hundi* and (iii) the cheap method of remittance. The charges for these *hundis* are always varying according to the demand and supply of money. Sometimes they are about $\frac{1}{2}$ per cent discount and sometimes $\frac{1}{2}$ per cent premium. This is always cheaper than money-orders, and invariably in most cases than the insured parcels.

157. *Storage*.—We have sufficient evidence before us that the cultivator has no good storage accommodation with him. The reasons are that the houses of village *bania* and headman, etc., in Bikaner, Sujangarh, Rajgarh Nizamats are generally of oblong structure, the walls formed either of small bricks laid in mud or of courses of indurated clay, which are piled in layers one above the other and allowed to harden in the sun. The roof of the living and the store-room is supported by cross beams, over which is placed a covering of brush wood, and this is surmounted by a thick layer of tenacious clay, laid in a moist state, pounded down and consolidated by ramming. The houses of the smaller cultivator are of a simpler type. Here the walls are of clay and the roof of thatch which leaks freely in the rains; gives no shelter when the fierce summer hot wind blows. A fire once started in such a village spreads with dangerous rapidity and often leads to loss of life, as the inmates struggle to save their meagre property or in the rains the water beats against the fragile walls and the whole structure collapses, often crushing the weak or infirm in the rain, but this does not happen too often, because of the scanty rainfall in the region. In the Ganganagar area and Suratgarh Nizamat the condition is better and they have got separate grain barns.

158. In the towns where there are *mandis*, the shopkeepers have taken on rent separate apartments for the storage of the grain, cotton or wool, called *beeches* but they do not insure the goods against fire, damage or loss of property,

though when they are taken possession of they generally hold themselves responsible when there is a theft. The attention of the chamber of commerce will have to be directed to remedy this also.

159. *Part played by different class of banks, bankers, money-lenders, merchants and dealers.*—As there are no banks in Bikaner State, no part is played by this class of credit agencies, except about $\frac{1}{2}$ per cent of the remittance business is done by the Bikaner State Savings Bank, it being of very recent origin. The village money-lender, merchants and dealers are the only agencies who play a very important part in marketing the produce of the field from village to the *mandi* and from *mandi* to the consuming and exporting centres. They arrange the whole amount of marketing finance, they negotiate in various markets for the sale of the produce and finally carry them, sort or clean them, pack them and transport them from place to place according to the necessity of the trade.

CHAPTER VIII.

CREDIT FOR AGRICULTURE, MINOR INDUSTRIES AND INTERNAL TRADE. (*contd.*)

160. *Organisation of internal trade including distribution of imported goods.*—It has been indicated by the Census Report of 1921 of the Bikaner State that the internal trade of the State as also the distribution of imported goods was divided as follows :—

(i) Warehousemen and commission agents.	1,762
(ii) Piece-goods traders, wool, cotton and silk merchants	15,962
(iii) Traders in food-stuff	16,968
(iv) Grocers and sellers of oil, salt and other condiments	8,955
Total men	43,647

161. It is, therefore, evident that as many as 43,647 people have been engaged in carrying on the internal trade of the State in various branches. They have been doing their work on individualistic lines and there has been no organisation either within themselves or for the whole state as a whole to watch, or supervise and regulate their business operations and activities. The methods employed are generally hereditary and are carried on from father to son. We will try to give a brief description of these in their proper order :—

- (1) These warehousemen and commission agents scattered in the length and breadth of the State are engaged in storing and selling the goods either on their own account or on commission on account of their clients. They arrange to finance the merchants, traders and cultivators in their business by arranging the purchase and sale of articles on short-term credit through their intermediation.

(2) The piece-goods, wool, cotton and silk merchants are engaged in importing cotton, woollen and silk piece-goods from places like Bombay, Calcutta and Delhi and selling them either retail on their own account or distributing them to the rural shopkeepers for retail sale. All the direct importers have their agencies established with one firm or the other of their own order, who despatch goods on credit. The system is that certain percentage is paid in cash while the rest is remitted as and on the merchants in the State are in funds, with the condition that on *Dewali* in each year (between October and November) they square their accounts. They in turn sell the goods retail to their customers locally some paying in cash, some on the distribution of their salaries and wages, while others pay at irregular intervals. Other merchants sell to rural merchants on the same conditions as are offered to them by their *aratis* at Calcutta, Delhi and Bombay.

(3) & (4) The same applies to these classes of merchants as in 1 and 2.

162. Existing credit facilities.—The existing credit facilities are either the cash money employed by the traders themselves or the credit facilities that they get from the *aratis* through whom they import the goods. There are no credit facilities of any kind beyond this.

163. Further facilities required.—The merchants stand in need of many sided credit facilities. A whole-sale institution should be opened in Bikaner for the distribution of goods to rural shopkeepers on reasonable rates. Such an institution should be started through joint stock enterprise. There is no bank in the State and remittance of money on trade purposes is always a problem during all time of the year, and it becomes a very pressing problem when *hindis* are not available. The provision of remittance facilities is a very important necessity of the day and an institution facilitating such transfers should be created very early. The State savings bank has started this business, but looking to huge imports every year, its business is yet relatively very small. To strengthen the credit resources, we may state that the indigenous bankers and money-lenders may be formed into loan offices as suggested by us in the chapter on indigenous finance. We advocate the constitution of a central bank as has been suggested by us in another chapter which should be in a position to discount their paper and advance money on the mortgage of their imported articles. We leave the question to be fully explored by the Bikaner Chamber of Commerce and reported to the Government for the exact requirements of Bikaner's internal business and imported goods.

164. Credit for miscellaneous occupations.—There are not very many miscellaneous occupations and we consider that no special kind of credit facility is required for them. We, however, consider that credit to employees of the State and wage-earners should be organised by mutual societies.

165. Consumers credit.—This is difficult to determine, as the credit facility of the consumer depends upon the return of his capital, the time taken in it and the method of his dealings. No precise rules can be framed for such a credit system.

CHAPTER IX.

CREDIT FOR AGRICULTURE, MINOR INDUSTRIES AND INTERNAL TRADE.—(contd.)

166. *Industries in the State (other than cotton and jute mill industries and iron and steel industries).*—Bikaner State is an agricultural and pastoral country and there are more of these industries than other kinds of industries in the State. We have briefly touched the question of other industries both State owned and private in chapter II, but as further explanation of the more important industries is necessary, we have in the following paragraphs given explanation of (a) organised industries and (b) cottage industries and, therefore, instead of making a detailed survey of the industries at this stage we propose to review the organized industries first.

167. *Organised industries.*—There are not many organised industries in the State, and the only organised industries to which we can make a reference are the following :—

- (i) *Glass Industry.*—A glass factory has recently been started in Bikaner.
- (ii) *Wool Pressing Factory.*—A wool press has been started for cleaning and pressing wool bales in Bikaner. This would ensure the direct export of wool from Bikaner to Europe, and do away with the necessity of its export first to Fazilka or Beawar and re-export from those places. This would also minimise charges which are incurred on account of entrepot trade.
- (iii) *Cotton Press and Ginning Factory.*—This factory has been started at Ganganagar, and other factories are contemplated at Karanpur, Raisinghnagar, Shivpur and other places in the State. The producers and exporters will be saved a good deal of expense which otherwise they would be required to incur in sending raw cotton (*kapas*) to Abhor Mandi, and thence to ports for export.
- (iv) *Gota Factory.*—This industry is carried on at Bikaner and Chūru and good factories on commercial lines are in existence at these places.
- (v) *Carpet Industry.*—This industry is a flourishing industry of the State. Bikaner wool is noted for its excellence for carpet manufacture, and as labour is also cheap enough, this industry is flourishing and there is an appreciable demand for Bikaner carpets in various markets of India and other countries.

168. *Cottage industries.*—There are several cottage industries in the State, and we should like to make a reference of a few of them which are important and deserving of greater improvement and encouragement.

(1) *Pastoral industry.*—This is by far the most valuable industry of Bikaner State and accounts for over $\frac{1}{4}$ th of the total exports. Sheep exceed by far all other domestic animals. Bikaner having more of these animals than any other State in Rajputana and many a province of British India. In 1926-27 the number of sheep exceeded 10,60,000. In a country like Bikaner where pasture lands are in abundance and scarcity of rainfall does not allow of agricultural operations on an extensive scale as a means of livelihood, it is natural that this industry should be a leading industry of the region. There are other causes

which also account for the industry to lead all other industries in the State. They may be briefly stated as follows :—

- (i) Excellence of Bikaner wool for the manufacture of carpets.
- (ii) Great demand of wool produced by Bikaner farmers in countries like U. S. A., Persia, Germany as well as in various Indian markets.
- (iii) Cheap price of the commodity.

169. This industry so far has been carried on on individualistic lines, and no co-operative effort has been made to produce or market the product. There are certain draw-backs which can only be removed by co-operative effort. The breed of sheep needs improvement and for this purpose it is necessary to import better class of rams, and distribute them to cultivators for breeding purposes. There is another reason, and that is, that the majority of the cultivators are poor and are unable to make selected purchases for want of money. This again can be solved by the co-operative societies.

170. Before sheep farming can be practised on a large scale these arrangements are needed to be completed and co-operative wool marketing facilities created, which would stop the unnecessary entrepot trade in exporting it to Fazilka or Beawer and thence to ports. Co-operative societies should be started to enable the cultivators to get capital for the purchase of sheep and to dispose of the raw products by joint sale. We have touched the question of sheep breeding in another chapter, but we may lay emphasis here on the point that Bikaner wool is noted for its excellence for carpet manufacture, but is not so good for cloth manufacture and it is necessary that to bring the wool to the standard of other countries, the breed of sheep should be improved.

171. The other classes of animals found in the State are :—

(i) Goats	...	...	3,46,528
(ii) Camels	...	...	1,35,994
(iii) Cows	...	...	3,84,273
(iv) Buffaloes	...	...	62,253

172. Goats are kept for their flesh, milk and skins or for export. Bikaner goats do not offer good wool which could be exported on a large scale, but much could be done in this direction on co-operative lines.

173. The camel is the chief animal and in this land of sand is constantly used for riding and as a beast of burden used for transporting goods from one place to another. Camels of Bikaner are noted for their excellence in speed and strength.

174. Milch cows are reared for producing *ghee*. Good *ghee* is available throughout the State. Cultivators want money to develop *ghee* industry and co-operative societies should take up the matter on a systematic basis. This business cannot be undertaken individually and the only effective way would be through co-operative societies, which could guide and develop the business by corporate action. Because of the longer time required to raise cattle than sheep, and the larger investment in cattle, the great bulk of the live-stock loans are cattle loans. Such loans should be made for the purpose of financing the cattle industry which may include such specialities as breeding, grazing, feeding,

fattening, dairying and marketing. They may be divided in three classes, namely, feeder, stocker and dairy loans. Feeder loans may be known as steer loans and are the most important and voluminous. Such loans should have a maturity up to one year. Stocker loans should be made on bulls and cows for breeding purposes, and on young calves. They should have a maturity of one year subject to three or four renewals, and should require 50 per cent margin. Dairy loans may be made to finance the purchase of high grade cows and pure-bred sires to improve the strain and thereby the efficiency of dairy business. Their maturity should be one year, subject to four or five renewals.

175. The procedure in making cattle loans should be as follows which may be adopted by the co-operative societies :—

- (i) application of the borrower, name, age, legal residence and location of farm ;
- (ii) sworn statement of financial condition (listing assets and liabilities) ;
- (iii) statement showing the number and age of cattle ;
- (iv) inspection of the borrower's cattle with reference to location, number, age, brands, approximate weight per head, and feed on hand ;
- (v) search of records against the borrower's estate.
- (vi) execution of chattel mortgage in which the market value is usually at least 20 per cent above the amount of the loan ; and
- (vii) execution of the note.

176. (2) *Wool industry.*—This is a produce of the sheep and the annual quantity of wool exported is about 42,000 maunds. We have already referred to the establishment of a wool pressing factory at Bikaner. This would obviate the necessity of wool being sent to Fazilka or Beawar for bailing and will be ready for export baled from Bikaner itself. We have received an excellent note from Thakur Mohan Singhji of Tiandesar on wool industry in Bikaner State and we agree with most of his suggestions. We do not favour the export of raw wool in any greater quantity, but desire the expansion of wool weaving industry within the State. During 1920 Sardar Sahib Prabha Singh Bhalla submitted a note on the possibilities of wool weaving industry and we are also of the opinion that State enterprise should come to the rescue of this industry. We have taken up the question of the revival of wool weaving under the item of weaving industry with which we shall deal in the succeeding paragraphs.

177. (3) *Weaving industry.*—This is by far the most important cotton and woollen industry and ranks second in point of importance. Hand-loom weaving and spinning is practised everywhere in the State. In the present state of affairs and the present economic condition of the peasantry class, the establishment of cotton and wool mills cannot be advocated. We suggest the introduction of improved spinning wheels which can take three or more threads at a time and these wheels should be arranged to be distributed in villages on the hire purchase system through the co-operative societies.

178. In reference to the hand-loom industry, we frankly admit that this industry is out of fashion and probably is not cogniscent of the operation of the modern hand-loom. This is a large question which remains to be solved, *viz.*, how can these improved methods be communicated to the weaver. Two ways

can be suggested for the accomplishment of this work. The first is by direct propaganda among the weavers, conducted either by philanthropic agencies or by Government. Weaving schools should be established for artisans, at which instruction in the improved methods could be given. The scholars would be taught how to work the new loom, and when they have completed their course, they would be given facilities for acquiring such a loom and taking it back to their homes. Exhibitions should be held in some towns by the commerce and industries department and by practical tests the advantages of the new methods could be demonstrated. Lecturers and demonstrators should visit each weaving centre periodically, set up an improved loom in the villages, and give ocular proof of the superiority of the results obtained from it. The system of travelling lectures has been employed in certain western countries and this may be tried in Bikaner also.

179. The other solution is one which also commends itself to us as it works through economic motives which are fairly common. In this the help of the co-operative registrar is essential. Small co-operative factories may be established in weaving centres and wool producing areas under the direction of educated men, who would be required to invest a small capital, say a thousand rupees or two. It is because a capitalist organisation of industry adapts itself so much more readily to new requirements that capitalism tends to supersede that more ancient organisation in which the artisan is himself the entrepreneur. Small capitalists, working in different centres, might introduce those improvements in the method of production which the uneducated artisan is little likely to initiate. If these small capitalists with artisans are brought under co-operative weavers societies at each centre; it may be expected that much of the hardship of the spinners and weavers may be mitigated.

180 (4) *Hides and skins industry.*—This is again a very important industry of the State. The production of raw hides and skins is naturally large because of the large number of animals reared in Bikaner State. The industry is at present very much disorganised and the producer does not get any fair value of his article. The reasons are that this industry is restricted to a certain few castes in the State who are utterly uneducated and have neither the business capacity nor the requisite capital to market their produce with advantage. We have suggested for the formation of co-operative hides and skins societies in the chapter on co-operation, but we may here point out that the export of raw hides and skins does not give any appreciable yield to the producers and the establishment of a tannery is most essential. If any public man is not coming forward, the State may give the lead, like what has been done in the Gwalior State where a tannery equipped with all modern appliances exists at Morar.

181 (5) *Dairy industry.*—This is again a very important industry for a country like ours, and steps are necessary to produce the dairy products on commercial lines. There are co-operative dairy societies working most profitably in many parts of the world and this industry can be highly developed if sufficient attention is given to it on co-operative lines.

182. The decline of village and cottage industries in Bikaner State has weakened the economic position of the small farmer whose energies are not absorbed entirely by agriculture, as also of other small artisans who are more or less indirectly concerned with agriculture. These industries were once the most

important in Bikaner State, but the pessimism regarding the condition of cottage industries all over has been encouraged by the decline of the rural industries in various parts of the State.

183. The solution lies in the reorganisation of these industries through co-operative effort and extending credit facilities by these methods to small industries. Artisan societies have been started in British India on the basis of share-capital or unlimited liability or both. In Burma the home industries have a number of societies financed from loans by Government. In Bengal industrial unions have been formed with a view to solving the difficulty of financing these societies. Such societies have proved in their own way useful to the artisan classes, and they can be equally useful in Bikaner State as well.

There should be a central organisation for each class of societies or a central organisation for every type of purchase and sale in Bikaner State for the various cottage industries, a short description of which has already been given in an earlier part of this chapter. The want of a central trading organisation in other places has been a chief draw-back of cottage production. Isolated and unrelated cottage industries lend themselves easily to exploitation by middle-men. The association of small producers should buy raw material in common, and sell their products in common. We are, therefore, of opinion that a forward industrial policy on co-operative lines would not only revive small industries founded on traditional scale, but would also create new industries around natural resources and the supply of skilled labour which the State aid and initiative might introduce and develop in the villages of Bikaner State.

184. *Possibility of developing cultivation or of helping cultivator to get a better return by establishment of such industries.*—The cultivators of Bikaner are engaged in selling firewood and other allied business during the period when there is no crop in the fields. The cultivators in the canal area and in the Nizamats of Suratgarh, and a certain portion of Rajgarh Nizamat have little time to spare from their agricultural occupations but others have profitable subsidiary occupations, which can be extended by opening co-operative societies for the purchase of their produce, *e.g.*, dry grass an excellent material for making paper, or fodder for milch animals in the cities or dairy farms.

185. *Credit facilities existing.*—There is no credit facility existing at present in the State to finance these industries either for current expenditure or for marketing the products. Wherever possible the artisan approaches the money-lender who may supply him with some capital, but this is hardly sufficient to bring about any progress.

186. *Credit facilities required.*—The people with such limited means require credit facilities for such cottage industries, as well as something to sustain them and this want can only be removed by co-operative movement in the State.

187. *Part played by different classes of credit agencies.*—The money-lender is the only credit agency playing any part in the production and marketing of cottage productions, and there is no other agency of the kind in the State.

CHAPTER X.

REMITTANCE FACILITIES AND INSTRUMENTS OF CREDIT.

188. *Use of negotiable instruments.*—The use of negotiable instruments is brought about by—

- (i) Export of merchandise.
- (ii) Investments of Bikaner people in Calcutta, Bombay and other Indian and foreign centres.
- (iii) The purchase of Government securities and other shares.
- (iv) Charges for transportation, insurance and commissions paid to merchants, transport, insurance, banking and commission agencies outside Bikaner State.
- (v) Import of merchandise.

189. There are of course many other causes which affect the course of exchange and make the use of negotiable instruments popular from one centre to another, but the above are the principal factors which promote the use of negotiable instruments. Normally, the balance of payment, as it is called, is sometimes with Bikaner and sometimes with other Indian centres and on this depends the rise and fall of the *hundi* rate within well-defined narrow limits. These rates range within narrow limits but are always less than the cost of remitting money by insurance post or money-order.

190. From the customs returns that have been supplied to us by the Inspector-General of Customs and Excise, which we give below, we have been able to ascertain that imports exceed exports in Bikaner State:—

Serial No.	Name of article	1926-27	1927-28
- IMPORTS.			
1	Rice ...	Mds. 1,24,368 18 6	Mds. 1,19,078 1 9
2	Kirana, No. 1...	Rs. 3,34,670 11 9	Rs. 3,22,257 5 0
3	Kirana, No. 2...	Mds. 22,534 19 $\frac{1}{4}$	Mds. 21,086 8 $3\frac{1}{2}$
4	Kirana, No. 3...	" 56,111 4 $3\frac{1}{2}$	" 60,798 32 0
5	Cloth, No. 1 ...	" 18,401 14 7	" 15,455 39 11
6	Cloth, No. 2 ...	" 14,941 7 $5\frac{3}{4}$	" 11,422 25 15
7	Cloth, No 3 ...	" 10,624 3 $2\frac{3}{4}$	" 9,896 25 $5\frac{1}{2}$
8	Made up clothing ...	Rs. 14,01,904 0 0	Rs. 14,10,705 11 6
9	Sall, shisham wood, etc. ...	Mds. 59,992 0 0	Mds. 80,619 0 0
10	Perfumery ...	Rs. 1,19,170 4 3	Rs. 1,39,311 1 3
11	Ghee ...	Mds. 9,967 33 $6\frac{1}{2}$	Mds. 9,498 13 $\frac{1}{2}$
12	Oil of all kinds ...	" 23,545 11 11	" 2,756 1 0
13	Country tobacco for smoking.	" 25,449 27 11	" 22,304 35 12
14	Gold and gold ornaments ...	Rs. 1,07,395 0 0	Rs. 90,688 4 0
15	Silver and silver ornaments.	$8\frac{1}{2}$ masha (Bhari) " 2,26,697 14 6	" 12,92,355 4 9 (Bhari)
16	Lead, zinc, tin and iron ...	Mds. 44,792 35 6	Mds. 52,872 7 9
17	Mollasses ...	" 1,64,432 24 $\frac{1}{4}$	" 1,39,388 32 2
18	Unrefined sugar ...	" 54,498 38 9	" 50,446 33 3
19	Sugar ...	" 1,02,832 37 $13\frac{1}{2}$	" 1,06,086 33 3
20	Fancy goods ...	Rs. 9,25,410 3 3	Rs. 10,49,513 12 3
21	Coal ...	Mds. 2,71,442 34 0	Mds. 2,36,994 20 0

Serial No	Name of article	1926-27	1927-28
	EXPORTS.		
1	Wool ...	Mds. 40,006 13 2½	Mds. 42,125 25 6
2	Hides ...	„ 3,005 13 8½	„ 7,217 22 0
3	Sarsun, Taramira ...	„ 37,478 23 8	„ 43,955 32 9
4	Bones ...	„ 15,477 25 0	„ 43,234 6 4

191. From the above figures it is clear that the imports in Bikaner State are more than the exports.

192. The rate of *hundi*, therefore, must always operate against it, but it is not the case and the rates always fluctuate within narrow limits near the par. What are the causes for this? The agricultural population of the State grows enough of grain, *taramira*, *sarson* and wool, with which they get their necessities of life small as they are. The other imports are mainly for the urban community and three-fourths of the urban people of the State have their trading houses in the different trade centres of the Indian Empire. These people come to their homes in the Bikaner State for a holiday for two or three months in a year. Their remittances of money are generally by means of *hundis* and those merchants who have to import goods for consumption in Bikaner State make use of the resources of these people for settlement of their dues. These remittances, therefore, are the chief factors which keep the *hundi* rate within narrow limits and it is why no use is made of any other means of remittance from business centres in India to Bikaner and Bikaner to those centres again.

193. If exports and imports, *i.e.*, merchandise were the only basis of business obligations the value of exports would have to be equal to that of imports or else trade would practically cease. But we have seen in the list given above that this is not the case in Bikaner, the imports exceeding the exports to a very great extent. The other factors are therefore the vast amount of business, investment and services in British India for which Bikaner subjects are responsible and their earnings sent by them or spent at home in Bikaner for part of the money supplied comes from these sources to save two rail loads of silver or gold from Bikaner to some of the centres in India and from Indian centers to Bikaner as excess of imports would have to be paid in cash if the use of *hundi* has not been largely made by Bankers of Bikaner doing business outside Bikaner State, and who come here only for a holiday to spend in Bikaner or send the money for the support of their family or dependents. The chief function of money, therefore, is to serve as a medium of exchange. Instead of our settling imports and exports in actual coins, in which case every separate transaction of export or import of goods would need to be followed by a corresponding import or export of precious metal to pay for it, our merchants simplify matters by employing *hundis* as the medium of settlement.

194. The use of negotiable instruments has, however, been restricted to the class of indigenous bankers and money-lenders. Any merchant wishing to remit any money to any business centre in India approaches one of the money-lenders in the city, asks for a *hundi* and sends it to the merchant at Calcutta, Bombay or any other centre in British India or within the State itself. The indigenous

bankers and money-lenders have either their own branches in one or the other of these centres or have an agency with one of these people of their order having a branch of their at that place. The indigenous bankers and money-lenders finance a very great portion of the exchange business by not only allowing remittance of money through *hundis* but they create paper for purposes of accommodation of themselves in times of need and their dealers. These *muddati hundis* are a usance bill of exchange meant to put merchants in possession of funds.

195. The use of the *hundi* and transfer of money through its medium is however restricted to cities and towns and does not extend to small towns and villages to any appreciable extent. The population in the villages is mostly uneducated and has not yet learnt to make use of negotiable instruments commercially. The agriculturists largely use coin as the medium of exchange for their produce and to a small extent the use of Government currency notes has come into vogue. The reasons for this may be stated to be as follows :—

- (i) Small amounts of sales not necessitating big transfers.
- (ii) Nearness of the market place for the sale of their produce to *arâtias*.
- (iii) Illiteracy amongst the peasantry class.
- (iv) Unreliability of *hundi* paper drawn by petty traders with little or no credit in outside markets.
- (v) Indirect export and import of their produce by *arâtias* of the necessities of life and field.
- (vi) Very few wants of the people because of climatic influences and their hereditary habits.
- (vii) General indebtedness amongst the peasantry class which is a very great impediment to their future progress and uplift.

196. We have said above that the indigenous bankers and money-lenders play a very important part in making transfers of money from one centre to another for trade purposes and make enormous profit out of their business. These indigenous bankers and money-lenders have been well-known in India as the greatest financiers of trade and it is they who have best of business relations with nearly all exchange banks of importance in India. In brief the Marwari bankers have played a very important part in finance in Bikaner, nay the whole of India. In Bikaner, however, in addition to the supply of bills and other negotiable instruments by the indigenous bankers and money-lenders, the Government of Bikaner as is well-known undertakes remittance of money on trade accounts. The State Savings Bank allows the use of money in centres of Indian trade whenever the merchant wishes to be financed, and this has added to the financial facilities of the Bikaner merchants. With the opening of branches in places like Sri Ganganagar, the savings bank, it appears will prove very useful to the interests of the merchant community of that area.

197. Use of railway receipts.—The chief documents of title in Bikaner State used for raising money are the railway receipts. One chief difficulty which has been experienced in advancing money on railway receipts is the practice of the railway department delivering goods on indemnity bonds when railway receipts are not produced. This often involves loss to the indigenous banker and money-lender who discounts the documentary bill with railway receipts. It is, therefore, necessary that the railways should be required to ensure that the banker's lien

on the goods is registered on intimation and the goods is not delivered to the consignee until the banker's claim is settled.

198. The railway receipts are issued in two forms by the railway authorities. One is at the owner's risk and the other at the railway risk. The railway receipt for goods carried at the owner's risk does not make the railway responsible for any damage to the goods caused in transit while the railway takes upon itself responsibility for the goods booked at railway risk.

199 Major Maharaj Sri Mandhata Singhji, Revenue Minister, Bikaner State, in his written statement has suggested that to popularise the use of the railway receipts arrangements should be made to establish licensed warehouses in this State. These warehouses may be opened and run with the co-operation of the Bikaner State Railway or with the assistance and direction of the Bikaner Government or both. In the former case spacious warehouses will be needed at Bikaner and Sri Ganganagar. The railway would have to arrange that any one wishing to despatch goods at a particular future date may store the same in such a godown and obtain at that very moment a railway receipt which may be employed like the present receipts for the raising of money.

200. The Revenue Minister is of opinion that the idea of licensed warehouses would take some time to materialise. He, therefore, suggests that meanwhile the railway authorities should make arrangements to issue railway receipt in respect of any lot of goods on the same day on which such lot is taken to the railway yard. There may, therefore, be two different kinds of railway receipts. Firstly, the usual kind of railway receipt on which the date of consignment is written and is issued only when the requisite wagons are available. It is implied thereby that the goods covered by a railway receipt of this kind are despatched on or about the date entered in the railway receipt.

201. The second class of railway receipts will contain the date of the entry of the goods into the railway yard or warehouses. There will need to be an implied or express condition stipulating that the goods shall be despatched so many days after the date of the railway receipts. The charge made to the consignor may include besides freight, as at present, the amount of premium the railway may have to pay for insuring the goods lying in the railway warehouse or yard. For it would be necessary to insure such goods against fire, theft or any other accident. In other respects this railway receipt will be similar to the other kind at present in use. This suggestion is made with a double end in view. If carried out it will remove the grievance that wagons are not provided by railway authorities promptly during the marketing season which causes loss of interest to the consignor. Besides, it will provide the facility of raising finance immediately a dealer or cultivator has his produce ready in possession or marketable condition.

202. We agree with above suggestions of Major Maharaj Sri Mandhata Singhji and think that the scheme if carried into operation will certainly enable the consignor to raise finance as is done on the railway receipts as at present in use. This will also minimise the risk attendant on storage of goods in their own goods houses against fire, theft, etc. But we must point that the railway department may first be asked to see whether the scheme will be practicable from the point of view of the railway department, because this scheme will become popular with the merchants as soon as it is introduced.

203. Reduction of duty on bills.—There is a stamp duty of one anna on demand bills in the State and stamp duty on usance bills as follows :—

Amount				If the hundi is in one part	If the hundi is in two parts	If the hundi is in three parts
If the amount of the bill or note does not exceed Rs. 200				Rs. A. " 3	Rs. A. " 2	Rs. A. " 1
If the amount of the bill note exceeds Rs. 200 but does not exceed—						
Rs. 400	...	...	...	0 6	" 3	0 2
600	...	...	...	0 9	" 5	0 3
800	...	...	...	0 12	" 6	0 4
1,000	...	...	...	0 15	" 8	0 5
1,200	...	...	...	1 2	" 9	0 6
1,600	...	...	...	1 8	" 12	0 8
2,500	...	...	...	2 4	1 2	0 12
5,000	...	...	...	4 8	2 4	1 8
7,500	...	...	...	6 12	3 6	2 4
10,000	...	...	...	9 0	4 8	3 0
15,000	...	...	...	13 8	6 12	4 8
20,000	...	...	...	18 0	9 0	6 0
25,000	...	...	...	22 8	11 4	7 8
30,000	...	...	...	27 0	13 8	9 0
And for every 10,000 or a portion thereof over Rs. 30,000				9 0	4 8	3 0

204. We do not recommend the reduction of duties on the demand bills as one anna stamp is a very reasonable charge by the State for recognizing the claims of the parties. We are of opinion that stamps on *muddati hundis* may be proportionately reduced if thought advisable to bring about their more general use amongst the various classes of the public of the State.

205. Need of bearer hundis.—This class of *hundis* represent Bank of England notes payable on demand to the bearer. The population of Bikaner State is not so generally educated as to understand the use of bearer bills and there is yet-another danger of the *hundis* made use of in an improper way. To obviate the risk, we consider it advisable to postpone the matter to a suitable period of time.

206. Standardisation of bills.—This is a very difficult question. In the course of our examination of various class of witnesses we have found out that bills are drawn in Hindi, Mudia, Urdu and English languages in the Bikaner State. They are also written in different styles and by different methods. The most prevalent system, however, is that of the Marwari Bankers as they are usually called (Mudia character). We consider that to change the whole system so widely established for generations past will mean the disorganisation of their established customs. We, therefore, recommend no change in the forms of *hundis*. We are of opinion that their specialities should be included in the

Negotiable Instruments Act with which we are going to deal presently and the languages used in drawing *hundis* should be restricted to English and one widely used vernacular.

207. Negotiable Instruments Act.—All the law courts in Bikaner State are guided so far by the Indian Negotiable Instruments Act of 1882. This Act has been framed to our mind on the lines of Bills of Exchange Act of England. This has of course one or two saving clauses which we have dealt with in the chapter on indigenous finance. We desire to express that the new Act which may be drafted for the Bikaner State should embody all the special usages and customs of the Indigenous bankers and money-lenders with regard to vernacular *hundis* in vogue among indigenous bankers and money-lenders. We give below the forms of the principal *hundis* and their special customs :—

FORM OF ENGLISH HUNDI.

No. 1.
Rs. 2,000

Calcutta, 1st March, 1930.

Three months after date (sight), pay to our order two thousand rupees, value received.

Rupchand Harakchand Saraogi.

To Messrs Hiralal Hazarilal, 54 Hornby Road, Fort Bombay.

FORM OF INDIGENOUS HUNDI.

No. 345.

Nisani hamare gharu khate.namen mandna.

Dastkhat : Gheesulal ke hundi likhe mujab sikhardesi.

“ I ” Shri Parmesharji.

“ I ” Sidh Sri Calcutta bunder subhastane chiranjeev Pyarelal Kishorilal yog Shri Bombay bander se likhi Ghisulal kee asis banchna, apranchi hundi aik rupia 2,000 akchere rupia do hazar ke nime rupia aik hazar ka duna yalian rakha sah Sri Dhanpatramji Onkarlalji pas Miti Mangsar bad Atham (8th) puga turat shahjog rupia chalan ka dena Sambat 1986 Miti Mangsar bad Atham.

Rs. 2,000.

Neme Neme rupia panch sau ka chauguna pura do hazar kar dena.

“ I ” Chiranjeev Pyarelal Kishorilal,

11, Clive Street,

Calcutta.

TRANSLATION OF THE ABOVE HUNDI.

No. 345

Place it to the debit of our account.

Signatures : Honour the *hundi* written by Ghisulal,

Hundi (bill of exchange) written in favour of Messrs Pyarelal Kishorilal at Calcutta from Bombay by Ghisulal for Rs. 2,000 (in words Rupees two thousands only) Rupees one thousand if doubled make the sum of the *hundi*. The *hundi* has been drawn from here in favour of Messrs Dhanpatram Onkarmalji on 8th Mangsar, which please honour on presentation in the current money.

Dated Sambat 1886 the 8th Mangsar.

Rs. 2,000.

Four times of Rs. 500 make the sum of Rs. 2,000 for which the *hundi* has been drawn.

To—Messrs Pyarelal Kishorilal, 11, Clive Street, Calcutta.

208. In the English bill which we have reproduced, there are no words of salutation or subscription and any one using such words would make the bill void while in the indigenous Hindi bill of exchange words of salutation are a necessity and this is an important distinction between these bills. In the Indian indigenous banking much regard is kept to the position, age and prestige of the merchants on whom the *hundi* is drawn and suitable words of salutation are used. When drafting the new Negotiable Instruments Act these matters should be taken into consideration. It would not be consistent with the tradition of the Marwari customs if the special usages and customs of the local places are not given special consideration.

209. *Prevailing customs.*—The writing of *hundis* and their encashment rules are not the same at all places. In certain places the holder goes to receive the money, while at other places the holder is approached to receive payment. In the same way at certain places *hundis* are written for 3, 5, or 11 days forward, just like the old Gregorian Russian system, but in nearly half the *hundis* the date on which the *hundis* are written is entered on the face of the *hundi*.

210. There are certain associations like the Marwari Chamber of Commerce, Bombay, who have framed certain rules for these *hundis*, and such rules as are considered important are desired to be incorporated in the body of the Negotiable Instruments Act. They may be briefly summarised as follows :—

- (i) One day's grace is allowed for demand *hundi* from the date of its maturity ;

- (ii) The copy of the *hundi* can be given upto 4-30 P.M. Standard time on all working days except Saturdays on which day it is 1 P.M. Sundays and other holidays under the Negotiable Instruments Act are observed as holidays.
- (iii) The time of the payment of the *hundis* is upto the sun-set.
- (iv) The copies of those *hundis* which have attained maturity may be taken or given like the demand *hundis*, and as regards those which are yet to mature, the copies may be taken or given any time before the maturity date.
- (v) One day's grace is allowed to all usance bills after the date of maturity.
- (vi) The *hundi* can be kept waiting for 3 days for payment.
- (vii) Interest at the rate of 12 annas per cent per month is charged after the date of maturity. Interest is calculated according to the number of days and copies are taken according to *mitis* (*Hindi* dates).
- (viii) If *zickriwali hundi* is not paid for three days, it is presented to Zickri-wala (case in need) on the 4th day, and if the *hundi* is not paid by the CASE IN NEED on the same day with interest, the *hundi* is returned the same day to the party concerned.
- (ix) If a "case in need" pays the *hundi*, amount is received on a receipt and the *hundi* is delivered unendorsed. The cost of the receipt stamp is borne by the 'CASE IN NEED'.
- (x) The copy of an unstamped or an insufficient stamped *hundi* is not accepted, and the last holder before presenting the *hundi* stamps the *hundi* with the proper stamp.
- (xi) If there are two *mitis* on which the payment of the *hundi* falls due, the copy is given or taken on the second day.

211. There are special kinds of *hundis* eight are called "HAMARE GHARU HUNDIS" and the other eight are called "TUMHARE GHARU HUNDIS" they are what we may call "ON OUR BEHALF" and "ON YOUR BEHALF". The eight type of "HAMARE GHARU HUNDIS" are enumerated below :—

- (i) The firm draws on the agent of the firm.
- (ii) The firm requests the agent to draw the *hundi* on the firm.
- (iii) The firm sends the *hundi* of its own accord in the money centres.
- (iv) The firm calls for a *hundi* from the money centre.
- (v) The firm instructs a certain merchant to draw on a certain agent of the firm.
- (vi) The firm instructs a merchant to transmit *hundi* to an agent of the firm.
- (vii) The firm asks for a *hundi* of another centre.
- (viii) The firm of its own accord sends a *hundi* to a certain agent on a certain merchant for encashment,

212. The eight type of "TUMHARE GHARU HUNDIS" are enumerated below :—

- (i) When a firm in another centre draws on the firm here.
- (ii) When a firm in another centre asks to draw a *hundi* on him.
- (iii) When a firm in another centre sends for a *hundi* from the firm here.
- (iv) When a firm in another centre asks the firm here to send a *hundi* at some other centre on his account.
- (v) When a firm in another centre asks to purchase a *hundi* on his account and send it to some other place for encashment.
- (vi) When a firm in another centre sends a *hundi* for encashment on his own accord to the firm here.
- (vii) When a firm asks for a *hundi* to be drawn by a firm here on another centre.
- (viii) When a firm in another centre draws endorsed by a firm here.

213. *Other methods of remittance.*—We have given the methods of remittance of money in the preceding paragraphs, and there are no other forms of remittances in the State.

PART III.

CHAPTER XI.

Co-OPERATION.

214. Preliminary.—For four years of war every economic law had been broken, and by a hundred artifices every symptom and consequence had been suppressed. When at last peace came, the dam burst and the whole world was almost submerged. It has been said by a co-operator of authority that “the war has buried in its ruins men and their institutions, philosophical systems and political and economic doctrines, but it has given wings to co-operation.”

215. Never was co-operation more needed and never did it spread more rapidly as after the war. After the war every one expected a better world and every one found a worse one. Only one class prospered and prospers, the profiteer. The profiteer has been with every one of us for over a century, but it was not till the war that he entered into his kingdom. Every one hates him, yet every one profiteers if he gets the chance. The country profiteers at the expense of the town, and trust corporations and export firms at the expense of the country. The towns are hungry, yet the farmer exacts or tries to exact the utmost farthing for his produce, though he is not successful in his attempt. The farmer in his turn has to purchase everything he needs at exorbitant rates. The capitalists or as we ordinarily call them the “money-lenders” as a whole and not the individual are to blame. Based upon high profits and usury this system inevitably breeds the profiteer. To dethrone him the system must be either ended or mended. Amongst the many remedies suggested by the economists of various schools, nationalism, co-partnership, etc., co-operation is the only one that in all countries is definitely established, and the only one, therefore, that can deal forthwith with the evil.

216. Beginning of co-operation in Bikaner State.—Keeping these high ideals as the basic principles, His Highness' Government resolved to start co-operative societies just after the armistice. The co-operative movement may, therefore, be said to have originated with the passing of the Co-operative Societies Act of 1920. It was essentially an Act of a Government anxious to ameliorate the conditions of the rural population of Bikaner State and to give effect to it, a co-operative sub-department was created under the direction of the Revenue Commissioner, Sri Ganganagar, who is also the Registrar of the co-operative societies in Bikaner State.

217. Misapprehensions.—By certain sections of the Bikaner State subject, the aims of the movement have not always been clearly understood and, therefore, we consider it desirable to explain at the outset that the chief object of co-operation in Bikaner State is to deal with the stagnation of the poorer classes and more especially of the agriculturists who constitute the bulk of the population of the Bikaner State. The obvious features of the situation presented

themselves in the form of usury and land grabbing on the part of the money-lending classes, while the agricultural classes either hoarded their savings or owing to thriftlessness and indebtedness showed themselves unable to withstand bad seasons and meet organised trade on equal terms. The peculiar feature of co-operation as a remedy for stagnation is that it is intended to meet not only the more obvious material evils but also the underlying moral deterioration to which the poorer classes have so long been exposed.

218. *Growth of the movement.*—During 1926-27 there were 47 primary societies with one co-operative union bank at Bhadra and a membership of 1,056 persons in the primary societies. During 1927-28 the number of societies was raised to 64 and membership to 1,434, which have further been increased during 1928-29 to 77 societies and a membership of 1,724 persons. A land mortgage bank has recently been started at Sri Ganganagar.

219. The movement as would appear from the above figures has made steady progress in all directions and there has been evidence of increased activity of the movement in every direction on the part of the management of the department. The real measure of the progress achieved by the movement, cannot however, be judged by figures alone, but by the degree to which the efforts of the co-operative workers, official and non-official, have resulted in a spread of the understanding of the essential principles of co-operation and the translation of such principles into practice. It is recognised on all hands that the establishment of co-operative societies in various localities has been immediately followed by a lowering of the prevailing rates of interest. To this extent, therefore, the benefits of the movement are shared by a much wider public than the actual members of the Bikaner rural societies. Even the strongest critics of the movement will admit that in most societies the members generally take an intelligent part in its management and have learnt to work together for their common object. Instances are not wanting to show that it has fostered a feeling of equality, brotherhood and fellow-feeling among the members.

220. The success achieved by the credit societies as a result of instructive propaganda carried on has led the villagers to adopt other measures for their economic improvement. There is sufficient evidence to show that, although much remains to be done, the village society members are learning to be thrifty. The members have realised the necessity of curtailing extravagant expenditure on social ceremonies. The heavy drain on the resources of the cultivator caused by litigation expenses has also engaged the attention of the village societies. A similar desire has led the members in some societies to give up habits of drinking and smoking.

221. But in no sphere of rural reconstruction has the movement produced so marked an effect as in the demand for primary education. The illiterate members of the village societies feel quite as keenly as the State the need for their education and the members of the societies think that very little progress can be made so long as the bulk of the people can neither read nor write. There can be little room for doubt that the village credit societies scattered in various parts of the State are contributing in no small measure to the propaganda in favour of primary education.

who are people with little or no capital are completely managed and controlled by the co-operative department in the State, the co-operative movement can be an adequate movement as banking agency in the State.

226. The problem is how this can be achieved. From the evidence we have received, it appears that the co-operative societies have met the ordinary needs of their members, and as the societies are capable of meeting further needs, if the famine does not cripple the movement, further financial help from the State is desired at this stage. It may be stated, that it is not possible to run a commercial bank in each village or a group of villages in the State, as can be done in other countries, the reason being high cost of operation, want of trained staff, confidence of the illiterate public and absence of general education. Therefore, for Bikaner the supreme interest of co-operation lies in the village bank. By village banks, therefore, co-operation in Bikaner State would be judged, and no better standard could be applied than the standard of Germany, which is the birth place of village bank and the country of its greatest development.

227. Sir Manubhai N. Mehta, Kt., C.S.I. M.A., LL.B.. Prime Minister, Bikaner State, had some wise remarks to offer on the subject in his presidential address delivered at the 15th Bombay Provincial Co-operative Conference held at Poona on the 23rd day of October, 1926, which we reproduce below without any apology to him :—

“ The type of the co-operative credit society mostly prevalent in this country and recognised by the Indian legislature is after the Reffei-sen model. Its foundation is erected on ‘ mutual knowledge and the personal honesty of the members. Loans may be advanced to members alone, loans must be only for productive purposes ; repayment whether in one sum or in instalments must be punctual ; the liability of the members for the debts of the society is unlimited ; profit is undivided and indivisible ; deposits derived from the thrift of members are accepted and encouraged ; the officers of the society work gratuitously and the constitution is democratic.’

This is no doubt the ideal type ; but the conditions of this work-a-day world in which we live, are, alas ! not ideal. The ideal, say the critics should not be pitched so hopelessly high as can be only looked upto with craned necks and that too with only a feeling of despair. We are not living under the *Ram Raj* or the Golden age. We are going through the iron age of *kali*—an age of selfish, greedy and of cut throat competition.

In this struggle for existence those who move in the right direction and on correct lines must destroy those who move in the wrong direction and on erroneous lines. There can be no mercy or protection for those who embark their capital or their labour on mistaken calculations. The world's eternal turmoil must bring up the most successful profiteurs to the top by a ruthless struggle for survival, which selects the most efficient by the bankruptcy of the less efficient. In an atmosphere of such endless conflict people do not find it profitable to subordinate their self-interest entirely to an ideal. Distribution of high dividends on shares is insisted on and we are called upon to decide if this is permissible.

It is never safe or prudent to play with an ideal, or to make it so elastic as could be hoodwinked without a qualm. Reff Eisen would not have conceived of such distribution of dividends as possible. If the business is so flourishing as to earn a large surplus capable of being returned to the members in the form of dividends, the better way would be to reduce the rate of interest at which loans are advanced on credit and thus make participation in the business less onerous. Loans can be given out to larger clientele of honest but poor folk if the rate of interest is thus reduced. What was intended to be given out as dividend could thus be saved in the rate of interest to be charged and the same results achieved, without wrecking the essential principle of co-operative credit."

228. The description given above from the presidential address of Sir Mannubhai N. Mehta tends to show that the co-operative movement is capable of being transformed to conditions prevailing in a particular region without changing the essential principles of co-operation. These societies, therefore, fulfil the needs of the people as an adequate banking agency better than any other type of banking constitution designed for the rural population in the State.

229. It may be stated that the village societies which may be called the village banks have been greatly developed in villages where they were started a few years back and it is encouraging to find that these societies are now regarded as the basis of the whole rural credit fabric. In any case the village credit societies or banks are needed most, as they are not only credit societies but also savings banks; and thanks to a co-operative banking system which is unrivalled, there is almost no limit to the volume of deposits that can be absorbed.

230. Before the growth of the co-operative societies in Bikaner State, there was no institution in the whole State which could attract or employ capital and deposits with the confidence of the depositors; and the indigenous bankers and money-lenders were not accustomed to accept any deposits and the whole business was carried on by them with their own capital whatever it was. The agriculturists too were not also familiar with the idea of deposits and also had no deposit facilities. Those who had anything to save, would either hoard it underground or turn it into ornaments. But with the growth of the co-operative movement, deposits are increasing every day which is a very healthy sign of the development of banking habit in the people. It may also be stated that the deposits in the village banks are always safe and there has never been a report from any depositor to the effect that he ever suffered a loss by depositing in the co-operative bank.

231. The indigenous bankers and money-lenders in the State, as has been stated by us at length in the chapter on "Indigenous Finance", mix other business with money-lending, and we are of opinion that to make the co-operative movement a really adequate banking agency for which it has all capabilities, the co-operative movement should discharge all such functions as are discharged by the indigenous bankers and money-lenders. The indigenous bankers and money-lenders of the State combine with money-lending the business of sale and purchase of grain, etc., and the real achievement and success of co-operation does not lie in starting co-operative credit societies only but in various other forms of societies. The examples of England, Holland, Denmark, Italy and Germany can

be multiplied in this respect where a farmer and a labourer is afforded every co-operative facilities. There is no reason why the co-operative department in Bikaner State cannot undertake to start other types of societies, but in the beginning it was thought proper to confine our activities to starting and co-ordinating the credit societies only, so that the movement may be strengthened in one direction before it is launched in the other directions. We, therefore, arrive at the conclusion that the co-operative movement is capable of fulfilling every type of banking and other requirements, which may be identical with the functions of the indigenous bankers and money-lenders as practised by them at present.

232. *Lines of further development.*—The co-operative department in the State is worked as a sub-department under the management of the Revenue Commissioner, Sri Ganganagar, who is also the Registrar of the co-operative societies. The department has shown sufficient growth in the past years and it seems time now that it was raised to the status of a full department, and the Registrar was given a full-time Deputy Registrar who should exclusively do the work of the co-operative department with no other duties attached to him.

233. It may be stated that the industries in the Bikaner State are either cottage industries or capable of being run by the aid of co-operative societies. The immediate needs of the State in the matter of starting societies other than agricultural credit are indicated below.

234. *Consumers' movement.*—We again take the liberty of reproducing a few paragraphs from the presidential address of Sir Manubhai N. Mehta without reproducing which we think we cannot proceed :—

“This brings us to a consideration of the consumers' movement and societies for production and sale, which naturally fall under “Better business”. The co-operative movement in England has passed the stage of credit societies. It is only in countries where poverty and illiteracy are wide-spread and the burden of indebtedness, appalling heavy as in India, that credit societies can take root. Credit societies have seemed uncalled for in England and in all English speaking countries. They are only the first step in the ladder towards the upward path of eminence. England and all the older European countries are now rising above the urgent need of credit and have relegated it to a corner. The consumers' movement has made the greatest advance in England, so much so that for a time co-operative societies in that country were understood to mean only stores and supply societies. These advanced countries have really to guard against another risk from the opposite direction ; there is an inevitable tendency of these co-operative societies to lapse again into the evils of capitalism from which they promised salvation at the outset. The English consumers, depending more and more on their wholesale society for supply are drifting into a position in which they would find themselves capitalists before they realise it. A national society of co-operative consumers would soon prefer to manufacture the goods for its own requirements in its own factories instead of depending upon middlemen and wholesale stores. They would themselves start factories by means of wage-earning labourers and would soon be the greatest labour-employing capitalists in the

country. They will be able to produce cheaply and save the pockets of their own members ; they will improve the quality of the goods supplied by their own factories but they will not thereby mitigate or remove the discontent of labour. The eternal conflict between capital and labour would be as intense as ever."

235. Sir Manubhai's note clearly points out that the benefit of consumers' societies will be extended in many directions, with the only possibility of conflict between capital and labour. No system however perfect it may be can ever possibly remove the entire defects of any business or trade or profession. They can, however, be reduced to a minimum ; and in the consumers societies the risk of under-weighing by the village *bania*, his manipulation of rates of supplies, his exorbitant rates of interest, his manipulation of accounts will all be largely removed, and these are but a few reasons why the system should be changed. We, therefore, recommend various consumers' societies be started in Bikaner State with as little delay as may be practicable.

236. *Cattle movement.*—We now come to another item, namely, the cattle movement, which is very important in Bikaner State, there being very good prairies with fine pasture lands and a very large number of cattle and sheep. Live-stock co-operation has not so much been developed in India as in other European countries, *e.g.*, Scandinavia. The subject may be regarded from four points of view :—

- (i) The first item is with regard to breed of good cattle, and in this connection the difference between the aims of Bikaner and those of Europe (meat eating countries) must be borne in mind. Europe wants meat and milk ; the majority of Bikaneris want milk, *ghee* and good draught oxen and camel.
- (ii) The milk has to be "controlled" or repeatedly tested and measured in order to discover whether a cow is justifying her keep, whether she is being kept at a loss or whether the substitution of a better cow will not increase the gain.
- (iii) The milk has to be sold in a manner which will give the least trouble to the cultivator, while bringing in to him the highest price, and in particular a higher price for good milk than for the average or bad milk.
- (iv) Insurance of the animal.

Though this is the logical order, in practice the dairy comes first. Where the live-stock are poor, there is a vicious circle out of which we must get out somehow : good cattle are not kept as they do not bring in enough income to the farmer, bad milk and *ghee* sell for the same price as good milk and *ghee*, cow testing for quality and quantity is not worth the expense, the reason for the low price of good milk is not worth the expense of exploration, the reason for the low price of good milk is that there is not enough of it to educate the consumer, and no more can be placed on the market until the farmer breeds good cattle, tests their milk, and sells it in a pure state. This vicious circle was broken in Scandinavia by the foundation of co-operative dairies owned by the producer and selling the product to a selected consumer, who is ready to pay a special price for it. The same procedure should be adopted in Bikaner if this part of the business is to be improved.

237. Dairies.—We do not propose to give a detailed description of dairies or the export trade in dairy products. It may be sufficient to state that in the three Scandinavian countries and in Ireland the dairy or creamery was the first type of co-operative trading society to be developed and exceeds all others in turnover and membership. Five-sixths of the Danish milk goes to the co-operative dairies. There are about 1,500 co-operative dairies and 300 private dairies in Denmark, the former receiving the milk of about 10,00,000 cows. In Bikaner we require the establishment of co-operative dairies. In the beginning we may be content in Bikaner with the sale of pure milk, *ghee* and butter. It may be stated that there is a very large demand of butter and good *ghee*. England's import amounts to about 28,00,000 cwt. per annum, and any amount of good butter can find a market; but this is difficult to achieve unless there is an export trade of dairy products with an official imprimature into the hands of wholesale merchants elsewhere. Any stuff sent of the inferior quality will be rejected, as every one has passed from a "Seller's market" to a "Buyer's market" from a condition where a manufacturer could name his price knowing that it must be finally accepted, to one where the buyer fixed the price, and in addition, chose his requirements from among the many lots offered. Nor is this fixing of the price by the buyer in the other markets is the most serious problem for every dairy industry. The many offering from various parts of the world and the predominance of consignments which leave the buyer the liberty of choice invite serious consideration. The basis of this selection is quality, because the consumer is becoming more particular in this respect, and in addition, the fine quality goods entail a minimum of trouble and adjustment. What has already been achieved in other countries can also be done here through co-operative societies.

238. Breeding societies.—In order to encourage increased wool production of improved quality, it is very necessary that there should be sheep breeding societies in the State. These societies should import better kind of sheep for breeding purposes. When the dairy farming has arranged a regular sale for the produce, and discovered that all the milch cows are not alike, but one pays her keep while the other does not, the farmer or the society should be rather anxious either to replace the animal or arrange for better breeding. In a country which maintains herd-books he can purchase a cow guaranteed by her pedigree, though he will find it an expensive pursuit; it is cheaper to breed his own stock, and where there are no herd-books or pedigrees, any other method than a home-breeding is a gamble. Herd-books in Europe grew out of the private records maintained by large breeders, who then combined to form a book for a stated breed, and many of those now receive Government recognition. Bikaner will have to pass through the same process, the various farms of Government grantees keeping each their own record until the buyer realises the advantage not only of buying a pedigree animal but of entering its progeny, if qualified, in the same record with a view to their more profitable sale. For this purpose the only effective institutions can be the co-operative breeding societies.

239. Having gone so far, we recommend the establishment of the following type of societies in Bikaner State.—

- (i) supply co-operative societies,
- (ii) fodder storage societies,
- (iii) better farming societies,

- (iv) sale societies,
- (v) thrift societies,
- (vi) education societies,
- (vii) arbitration societies,
- (viii) industrial societies,

240. *Facilities required.*—The Government of Bikaner by the passing of the Co-operative Societies Act of 1920 has given certain facilities which are enumerated in section 19. We however recommend the following additional facilities to be given to the Department :—

- (1) His Highness' Government should be prepared to agree to the receipt or the payment of the remittance at sub-treasuries provided that no extra expenditure is thrown upon Government in the way of extra establishment at those sub-treasuries, and provided also that the amount of money to be remitted to or from a sub-treasury in order to meet the payments or to recover the money paid in is not considerable.
- (2) The occasions on which remittances may be sent by one society to another may be classified as follows :—
 - (a) Remittance from headquarter treasury to :
 - (i) sub-treasuries within the same Nizamats ;
 - (ii) headquarter treasuries in other Nizamats ;
 - (iii) sub-treasuries in other Nizamats.
 - (b) Remittance from a sub-treasury to :—
 - (i) the Headquarter treasury of the same Nizamats
 - (ii) the Headquarter treasury of other Nizamats ;
 - (iii) other sub-treasuries in the same Nizamats ;
 - (iv) sub-treasuries in other Nizamats.
- (3) The above concessions are subject to the conditions that the amounts paid in or paid out at any sub-treasury do not exceed Rs. 30,000 in the course of one year, and the Treasury officer should be instructed to apply to the Accountant-General for further instructions when the limit is exceeded at any sub-treasury. The Sadar Treasury should, as far as possible, keep itself in touch with the probable requirements at sub-treasuries and keep the latter in funds.
- (4) The State Savings Bank should do credit business with the societies.

PART IV.

CHAPTER XII.

LEGISLATION AND LEGAL PROCEEDINGS.

241. *Acts for the protection of agriculturists.*—In the frame work sent by the Secretary, Indian Central Banking Enquiry Committee, we are asked to give our opinion on the working of certain measures for the protection of agriculturists. Such measures are not in force in Bikaner State, and therefore we have no practical experience of the working of these Acts. From the information available, we may however state that the provisions of Acts like the Deccan Agriculturists Relief Act have been evaded and it has been the general impression of the people that the Act has partially been a failure.

242. There is no question of alienation of land in the Bikaner, Sujangarh, Rajgarh and part of Suratgarh Nizamats, as under the system of *khatedari* rights tenants cannot effect sale of land. For the Tibi pargana and the Canal colony there is a Land Alienation Act in force and the Revenue Commissioner, Sri Ganganagar, is exercising due discrimination in allowing any transfer of land. We recommend the promulgation of such an Act in the State based on the experience of other provinces on the working of such an Act.

243. *Usurious Loans Act.*—In the State the Contract Act of 1922, as amended fulfills the requirements of Usurious Loans Act and under its provisions the requirements of the people are met. We do not advocate any other type of Act in the State at this stage.

244. *Money-lenders Act.*—In 1927, the British Parliament passed an Act, the Money-lenders' Act of 1927, which embodies some new factors in the campaign against usury. A private bill was introduced by Mr. Maqbool Mahmood in the Punjab Legislative Council for the regulation of money-lenders' accounts. We have received enough evidence to support our opinion that transaction between the money-lenders and the agriculturists and the creditors and debtors should be legislated. We should like the Act framed on the lines of Punjab Regulations and Accounts Acts.

245. *Insolvency Act.*—We have received sufficient evidence to show that a serious obstacle to the clearance of indebtedness is a large volume of inherited and unproductive debt. Relief from debt whether inherited or incurred by the individual cultivator cannot be sought at present and we are of opinion that without any restriction its provisions may be extended to the agricultural community of the State.

246. *Legislation to provide a better record of rights or protect tenants' rights.*—There are three classes of agricultural population, viz. :—

- (i) Proprietary rights holder as in Ganganagar Area,
- (ii) Occupancy rights as in Tibi pargana,
- (iii) *Khatedari* rights as in other parts of the State.

247. Situated as the cultivators are, they have got all privileges and rights accruing to them, and we think no further protection is required at present. Also from the evidence given we do not think any further facility is required.

248. *Delay in the disposal of realization of just claims of money-lenders.*—We have received complaints of delays in the execution of cases and decrees in many such cases and we addressed a letter to the Chief Justice, Bikaner State. We, however, recommended a departmental investigation of the question.

249. *Legal obstacles against the realization of just claims of money-lenders.*—We have received no complaints against the existing legal machinery of the State. Wherever we went, we found the people highly satisfied with the existing laws.

PART V.

CHAPTER XIII. ✓

INDIGENOUS FINANCE.

250. *History*.—The committee are in a position to state on the strength of the evidence collected by them both orally and written that the functions of indigenous bankers and money-lenders are discharged by the people of Agarwal, Maheshwari, Oswal, Saraogi, Modi, Brahmin, Zamindar (Rajput and Jat) and Sikh communities in the Bikaner State.

It is necessary to trace the history of these people who are the chief mainstay of the agricultural and other communities of the State in the matter of finance. The original tribes who inhabited Bikaner State before the conquest of it by Rao Bikaji, were Jats, Johiyas and Saraswati Brahmins. The Jats and Johiyas of these regions which extended on the north to *garah*, led a pastoral life. Their wealth consisted of their cattle which they reared in great numbers, disposing of the superfluous number as well as of the *ghee* and wool through the medium of Sarswati Brahmins and receiving in return grain and other commodities or necessities of life.

251. As during those days the unit of population was the village, the occupations were distributed in it in the simplest manner. The village grew most of its food-supply and provided from its own resources or obtained from close at hand its few simple wants. Therefore, with the above important communities each village was provided with a complete set of artisans and menials, and was thus solely self-supporting and independent. The *chamars* skinned the dead cattle, cured their hides, and made the villagers sandals and thongs. Local *carpenters* made their ploughs, local *blacksmiths* their shares, local *potters* their utensils for cooking and carrying water and local *weavers* their clothing. Each village had its own oils presses, its own *washermen*, and its own *barbers* and *scavengers*.

252. In the publications like "Castes of the Punjab" and "Districts Gazetteer of Hissar" we find the following account of *bania* community :—

"The word "*bania*" is derived from the sanskrit word "*Banaj*" which simply means a trader. The *banias* appear to trace their origin to Rajputana and it seems not unlikely that their ancestors were the trading community among the inhabitants of Rajputana. Inside the caste the three most important divisions are the Oswals, the Agarwals and Maheshwaris.

The Agarwals take their name from Agroha, a town in Hissar District, once the Capital of a *vaishya raj*, according to Mr. Sherring a tradition of a far distant origin on the banks of the Godawari. But the place to which all Agarwals refer the origin of the section and from which they take their name is *Agroha* in the "Hissar district."

"The Oswals trace their origin to Jodhpur. A possible explanation of their origin is that they were the trading classes of the Western Marwar and Jodhpur as the Agarwals of the Eastern Rajputana.

"The Maheshwaris claim to be descended from Rajputs. It is quite possible that this may be true and that they were Rajputs who took to commerce and so sunk to the level of other *banias*."

253. But statistics are very rare on the subject and historians seem to have neglected to say anything about the money-lending classes, but it seems that situated as the people were and limited as their wants were, the operations of the money-lenders were limited. The only class traceable in history was Sarswati Brahmins; while the Maheshwaris should be considered as the chief money-lenders who came to Bikaner with the conquest of Rao Bikaji. Their ancestor Seth Salaji Rathi accompanied Rao Bikaji on his expedition of conquest as the ration supplier, cashier and money-lender of Rao Bikaji's troops.

254. The difficulty of communication by road and the absence of rivers were some of the other reasons for the people confining their wants to the sources of supply available at home. Moreover, during the Mohammandan invasions there was much insecurity of life and property in the Punjab and the Plains of the Ganges. It was during that period that the Agarwals, Jainis and *modis* migrated to the Bikaner State and places bordering on this State, as there was more security of life and property under the ægis of the Bikaner Rulers during the period of constant invasions and civil unrest in India.

255. In the Mughal period Rajgarh in Bikaner State became a great commercial mart of the country, and a rendezvous for all parts of India. The produce of the Punjab and Kashmir was brought there *via* Hansi-Hissar, while that of the Eastern countries *via* Delhi, Rewari, Dadri, etc., consisting of silks, fine cloth, indigo, sugar, iron, tobacco, etc.; from Harauti and Malwa came opium, for all the Rajputana States, and by *caravans* from Multan and Shikarpur. dates, wheat, rice, *loongees*, fruits, etc., were transported; while from Pali spices, tin, drugs, cocoanuts, elephants' teeth, etc., were brought. The greater part of the imports were merely a transit trade.

256. The extension of trade necessitated the opening of shops and trading houses, finance and banking concerns in the country and as Bikaner Rulers had the reputation of keeping their subjects under best protection, Agarwals, Oswals, Saraogis and Modis migrated and settled here during this period of history. Most of these people settled in the Nizamat of Sujangarh, which was the place nearest to their home. These people seem to have migrated from Meerut, Saharanpur, Ambala, Multan, Osian, Rewari, Rohtak and other adjoining places where people of this class still exist in very great numbers. These merchants established themselves at different places in Bikaner State where they could take shelter in times of distress. Many of them grew very wealthy and their descendants carry on extensive business in the remotest parts of India. Some are cultivators also, while a few are in the service of the State.

257. The harmonious relations of the Bikaner Rulers with the Mughal Kings gave an impetus to trade and industry, and the soldiers of the Mughal army used to be paid by cash orders through Marwari bankers on various treasuries in the kingdom. It may also be stated that many of the Marwari

bankers were the hereditary treasurers and ration suppliers of the Mughal contingents and there are Bikaner and Shekhawati firms who have the privilege of being the oldest existing firms of the kind in India. The famous French traveller Tavernier has left an elaborate account of his travels which he did between 1640-1665, and much valuable information is available about money-lending in those days and about the ways of Marwari bankers.

✓ 258. According to the figures given in the Census Report of 1921 of Bikaner State the population of the communities engaged in business is as follows :—

(i) Oswals	...	...	...	24,551
(ii) Agarwals	...	...	...	18,401
(iii) Maheshwaris	...	...	...	12,694
(iv) Saraogis	...	...	...	449
(v) Modis	...	...	...	1,841

259. The Sikhs have come very recently and have attained prominence with the advent of the Gang canal, while Rajputs and Jats conduct the business of money-lending as a subsidiary industry. The number of Jains is the largest in the Sujangarh Nizamat, specially in the towns of Sujangarh, Sardarshahr, Ratangarh, Rajaldesar and Dungargarh where they are most flourishing traders. They lead mostly an urban life. Next to Sujangarh Nizamat their number is the largest in the capital. Agarwals and Maheshwaris are distributed nearly in all the Nizamats of the State. Modis are chiefly found in Bikaner and Suratgarh Nizamats, while the Sikh, Jat and Rajput money-lenders are seen in Canal area, Nohar and Bhadra Tehsil and to a smaller extent in the rest of the State.

260. The Oswals and Saraogis are Jains, while Agarwals are partly Jains and partly Vaishnavs. The Maheshwaris are all Vaishnavs as well as the Modis and Jats and Rajputs, excepting Sikhs.

261. Out of the above, the number of persons engaged in Bikaner State as recorded in the Census Report was 45,133 who are doing business as bank managers, money-lenders, brokers and money changers (4,734) warehouse owners and commission agents (1,762) piece-goods traders, wool, cotton and silk merchants (15,962) traders in food stuffs (16,968) others (8,955), it is, therefore, evident that the money-lenders and indigenous bankers engaged solely in banking and money-lending number 4,734.

262. *Extent and methods.*—The system followed by indigenous bankers and money-lenders is not an organised one on the whole, as different people act in different ways. There are groups of people dealing in one way or the other. Their business extend from the smallest village of the State to the capital city of Bikaner with branches in important centres of India, like Bombay Calcutta, Karachi, Delhi, Rangoon, Mandalay, Shillong, Lucknow, Nagpore, Cawnpore, etc. For our purposes therefore, we propose to divide these money-lenders into three distinct groups, *viz.* (i) village money-lenders, (ii) town money-lenders, (iii) big indigenous bankers.

263. *Village money-lenders.*—The village money-lender should be considered at the lowest rung of the ladder who lends money to the agriculturists and other inhabitants of the village and advances corn, seed, cattle, etc., to the

cultivators. These money-lenders may be divided into two kinds – (i) those who own land and advance money to their less fortunate brethren (ii) those who are regular money-lenders and whose professional business is money-lending. It may be stated here that in this State pure and simple money-lending does not exist to any appreciable extent and generally all the money-lenders combine other businesses with money-lending, *e.g.*, sale and purchase of field produce, sale and purchase of cattle, etc.

264. By some of the witnesses the village money-lender is branded as a parasite upon industry, as a Shylock who grinds the faces of the poor cultivators, and he is looked upon as the cause of the troubles of the agriculturists and other village inhabitants. By others he is described as the village capitalist, whose function is to finance the agricultural industry. It would be easier to apportion him the blame or praise which is his due, if we could say definitely whether he is a capitalist or a usurer ; but this we cannot do, as he is both in varying degrees. A capitalist is one who lends money for the production of more money and this function is certainly performed by the village money-lender and grain-dealer in the absence of any other financial agency. It is he who advances seed for the sowings, who provides the cash to buy plough oxen, and very often the money to buy agricultural implements. But in his other dealings which are not less common he plays the part of a usurer.

265. *The Town money-lender.*—Next in importance come the town money-lenders. These also may be divided into two classes. The first are those money-lenders whose business is limited to the town and neighbouring-suburbs only. The next in importance are those firms who carry on a hereditary profession on a big scale and who have branches in various cities of India and the State. It is difficult to classify them as money-lenders or indigenous bankers without a thorough enquiry which it was not possible to conduct within the short period at our disposal. Some of them are money-lenders on a big scale while others draw *hundis* occasionally, while there are some who receive deposits on interest. These money-lenders generally mix the business of commission agency (*arat*) with the business of money-lending and these are largely responsible for marketing the produce of the cultivators who come to *mandis* to sell their produce through these *Beoparis*.

266. *Bankers.*—These are perfectly organised indigenous bankers on more or less up-to-date joint stock bank system. They receive deposits, allow to draw on current accounts, deal in Negotiable Instruments (*muddati and darshani hundis*) sale and purchase of *hundis*, commercial documents, *e.g.*, railway receipts and the like.

267. It would, therefore, appear that a network of the indigenous bankers and money-lenders is spread all over the State, but they are not fully organised in order to be able to supply the present needs of the people of the State and the growing complex needs of the present day commercial business, internal and international.

268. The methods of indigenous bankers and money-lenders vary in the different groups which they constitute. We propose however to deal with the methods of the indigenous bankers and money-lenders as a whole.

269. Promissory notes.—This is the simplest form of advance. Some bankers and money-lenders get a separate pro-note executed for the loan advanced, while some content themselves with the receipt for the loan in which the borrower acknowledges to have received the amount stated in the receipt given by him. There are other merchants dealing in money who get the signature of the borrower in their *bahis* called ticket *bahis*. The money-lenders sometimes require the borrower to bring *zamindars* (sureties) before a loan is advanced. This all, however, depends upon the credit and integrity of the borrower.

270. Mortgages.—This is again the most common form of raising money. Whenever a person is in need of money he goes to the money-lender, offers him his piece of land, house or shop and requests him to advance the desired amount. The money-lender generally advances to such borrowers 50 per cent of the current market value of the property or as may be arranged between the money-lender and the borrower. On loans obtained on the security of mortgage of property the borrower is able to get money at a cheap rate of interest as the money-lender considers himself fully secure from risk, the loan being covered with the security. A mortgage of property does not become valid unless it is registered in a law court.

271. Mortgages are of various kinds, *e.g.* (1) one in which the property is mortgaged in a simple way ; (2) one in which the property mortgaged is in possession of the money-lender. These are also sub-divided and we propose to deal with them one by one.

272. The first kind of mortgage is created on the property of the borrower when the transaction is completed and the money-lender is entitled to his interest and is protected for his amount in so far that the borrower is not able to dispose of the mortgaged property before the claim of the creditor has been satisfied and the purchaser of the property does not also get a good title to the property purchased.

273. The second kind of mortgage is created on the property when the documents are registered before a Registrar as in the first case and the property is placed under the control of the creditor which means transference of the possession.

274. The first kind of mortgage is called *rahan* while that of the second kind *rahan-bil-qabz* (*adangat*). The first is called in English the simple mortgage, while the second is called usufructuary mortgage. The *rahan-bil-qabz* is again of two kinds, *viz.*—

- (i) Either there is an understanding between the mortgager and the mortgagee that the property shall pass into possession of the money-lender and he will derive all rents which may accrue to him by the property so mortgaged and the debtor will only be liable to pay the principal sum, and after he has paid that, he would have his property released from all liabilities of the money-lender.
- (ii) The second is that the creditor shall after taking possession of the property realise the rent whatever it may accrue and credit the same to the account of the debtor. There would be a fixed rate of interest and this rent shall be credited in liquidation of that and if

there is any deficit in the stipulated interest the debtor will pay the balance in cash, but if there is any surplus the debtor will receive credit for it in liquidation of the principal sum.

275. When the creditor has taken the property into his own possession he usually puts in a receiver to manage the estate if it is a big one and collects rent, as the creditor thereby avoids the liability to which he would be exposed otherwise. This is, however, invariably a clause in the mortgage deed (*rahan-nama*) whether repairs will be executed by the debtor or the creditor.

276. There are conditions sometimes attached to the *rahan-nama* that if the amount is not paid within the stipulated time the transfer shall become absolute and irredeemable and the whole transaction shall be considered as final. These types of transactions are, however, very rare and transactions of the simple nature are common in the State. In Ganganagar division where proprietary or occupancy rights have been granted none is allowed to sell or mortgage the land without the previous sanction of the Revenue Commissioner, who is careful to see that there is no term of conditional sale entered in the deed and this is specified in the order. This has saved many ignorant agriculturists from ruin as the restriction is imposed to protect the ignorant agriculturists who are not able to understand and safeguard their interests at the time of pressing needs when pressure is brought to bear by the creditor on the debtor.

277. Dastawez.—This is another form of granting loan and the difference between them and the pro-notes is that in pro-notes the sum is stated to be payable on demand and this demand can be made at any period or any day of the year, though there is usually an understanding to repay the loan within a specified time. In this case, however, the creditor cannot demand the money before a stipulated time whatever it may be. In this all the necessary conditions are written, *e.g.*, mode of paying interest, whether monthly, quarterly or six-monthly time of payment of the loan; indemnity by way of higher rate of interest in case of non-payment of the amount within the specified time, etc., such a document is largely used where it is considered expedient to get every condition reduced to writing. This is drawn up on legal stamped paper and is fully executed.

278. Such documents are generally written for the debtor and creditor by a professional writer called the *katib* and the writing charges called *katib ki fees* are generally borne by the debtor.

279. Khandi.—This is another form of loan and is taken by people of moderate means, *e.g.*, clerks, artisans and petty merchants. This is known by different names in various parts of the country and is practised all over. It is variously called *qist*, *khandi*, *banaj* or *rahti*. This is considered to be a very profitable business at the capital and in certain Nizamats of the State. The committee had chances of examining certain people who have only *khandi* business.

280. The money is advanced in sums of Rs. 10, 20, 30, 40, 50, 60, 70, 80, 90, and 100 and only in a few cases sums over Rs. 100 are advanced. The general system is to advance Rs. 10 and to recover at the rate of Re. 1 per month realising Rs. 12 in all in 12 instalments. Some *khandiwalas* even deduct the interest for one month or one month's instalment and pay him only Rs. 9

instead of Rs. 10, recovering the entire dues in further 11 instalments. There are other big *khandiwalas* who lend Rs. 90 and recover Rs. 100 in ten monthly instalments.

281. Certain of the *khandiwalas* lend *khandis* to vegetable merchants and *petty* shopkeepers and contract to receive a fixed daily instalments out of the sale-proceeds of the wares of the man.

282. *Pawning*.—This is another system of granting loans. Under this system gold and silver ornaments are pawned with the money-lender against money advanced by the money-lender. The percentage of advance is greater than in the case of other kinds of mortgages. In cases of gold pawning even as much as 75 to 90 per cent of the value of the articles is advanced. The price of ornaments is calculated on the quantity of pure gold or silver contained in the ornaments after deducting alloy and *tanka*, etc. In the case of silver ornaments the loans are advanced upto about 40 to 50 per cent of the value because of the fluctuations in the rates of silver.

283. The committee has come to know that this business is carried on by men as well as women. Many widow ladies pawn silver or gold ornaments of their neighbours and advance money to them. This is, however, declining in the case of ladies.

284. *Khatapeta*.—This is a system of raising temporary advances resorted to by money-lenders. When a money-lender requires money he goes to his brother money-lender and when the money is received by him, borrowing the money-lender is debited in the *khata* for the amount loaned. The same process is repeated by the other money-lender when he is in need of money. This is a system of overdraft account which is kept by money-lenders among themselves. The advances in such cases depend upon the credit of the borrower and generally no mortgages are made.

285. *Hatudhar*.—This again is another system of raising loans. When a money-lender feels short of money and has to arrange for cash for a few hours, he goes to his brother money-lender and asks for some money which when given is not entered in any commercial book, but is carried over as a balance, and a note is made in the cash book while balancing the cash book that the amount has been given to another money-lender as *hatudhar* or *dastgardan*.

286. *Loans in kind*.—There are money-lenders in villages and in neighbouring *mandis* who advance loans in kind to cultivators, *e.g.*, seed, cattle, manure, etc. There are various ways of granting loans in kind, *e.g.*, seed for sowing, corn for eating on the promise of return of $1\frac{1}{4}$ to $1\frac{1}{2}$ times or even double the quantity of grain taken. This is generally returned when the crops are ready. Some money-lenders convert the price of such grain at the current market rate and charge interest at a settled rate on the price arrived at, at the rate which obtained on the date when the grain was lent. This is sometimes recovered in kind at the market rate on the date of return or in cash.

287. *Wandering money-lenders*.—These people who are generally called *banjaras* or *pheriwalas* go to villages with their camels or bullocks laden with salt, spices, oil, jagery, sugar, tobacco and sometimes cloth and sell the wares on credit, converting the prices of the articles sold into debt carrying a certain rate of interest and re-appear to recover the debt when the crops are ready.

288. So far we have dealt with the loan systems of the indigenous bankers and money-lenders, and now we propose to deal with the methods of their *hundi* business.

289. *Hundi*.—A bill of exchange in the vernacular language is called "*hundi*". The term *hundi* is applicable to bills of exchange drawn by indigenous bankers and money-lenders. These *hundis* have been in circulation amongst the Marwari firms, mostly people of Bikaner, Shekhawati, Jaisalmer and Jodhpur and other places in Rajputana, since long before the Indian Negotiable Instruments Act came into operation, and usages attaching to them vary with the locality in which they circulate. They are so important that they require some mention here.

290. There are two kinds of *hundis*, *darshani* and *muddati*. The *darshani hundi* is a demand bill while a *muddati hundi* is a usance bill, *i.e.*, payable after a stipulated period mentioned in the *hundi* and reckoned from the date of the drawing of the *hundi*. These vernacular bills of exchange very materially differ from the definitions given in the Indian Negotiable Instruments Act or the English Bills of Exchange Act. In order to make the subject clear we propose to compare the definitions here.

In the Indian or English Acts it is as follows :—

"A bill of exchange is an unconditional order in writing, addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay on demand or at a fixed or determinable future time a sum certain in money to or to the order of a specified person, or to bearer."

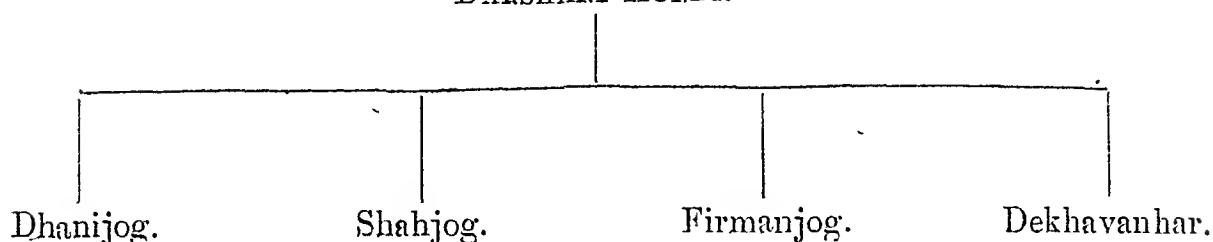
291. The above definition, therefore, requires a bill of exchange to be unconditional and in a brief businesslike form but the Indian vernacular *hundi* drawn by a Marwari banker is also conditional and is written in the form of a letter with usual salutations according to the custom and usage of the party concerned and of the place where it is written. These *hundis* are generally what are called the accommodation bills. There are certain special sections, *e.g.*, sections 28 (1 and 2) 46 (2) *a, b, c, d*, 50 (2) *a, b, c, d*, etc. But such conditions as are imposed by these sections are not attached to any vernacular bills in India. The Indian Negotiable Instruments Act has a saving clause which runs as follows :—

"The Act saves from its operations any local custom relating to any instrument in an oriental language. The Act applies to promissory notes, bills of exchange, and cheques, but where the instrument is in an oriental language, *e.g. hundi, rukka*, any local usage relating to such an instrument applies notwithstanding the provisions of this Act"

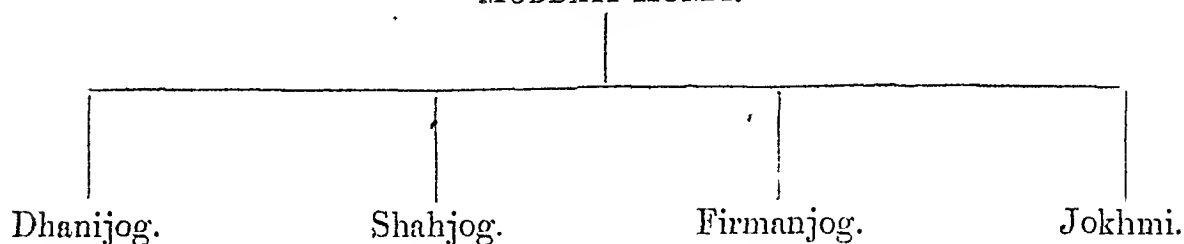
292. There is no separate Bills of Exchange Act in force in Bikaner State and all operations relating to bills are governed by the Indian Negotiable Instruments Act. Having dealt with so far with the peculiarities of these instruments we return to our subject matter.

293. The *darshni* and *muddati hundi*s are sub-divided as follows :—

DARSHANI-HUNDI.



MUDDATI-HUNDI.



294. These documents are so important and are so widely used by the indigenous bankers and money-lenders of this State that we think it wise to deal with them in detail in the following pages.

295. (1) *Dhanijog hundi*.—*Dhanijog hundi* is one which is payable to *dhani* or the owner of the *hundi*, i.e., the payee. The term used means the same thing for *darshani* and *muddati hundi*s and there is no difference as far as the contents of the *hundi* are concerned in both the cases. The only difference is one of period of the *hundi*s. A *dhanijog hundi* cannot be negotiated.

296. (2) *Shahjog hundi*.—"Shah" means a respectable and responsible person, a man of worth and substance known in the market. A *shahjog hundi* means a *hundi* payable *only* to a respectable holder. It is not the same as *hundi* payable to *dhani*. As far as the committee is aware, there is no rule of the Hindu Law, customary or otherwise, which would have the effect of making a *shahjog hundi* transferable without an endorsement. As a *shahjog hundi* is only payable to a person who is a 'shah' the drawee before paying the same has to satisfy himself as to the respectability of the holder. A *hundi* payable to a *shah* is paid on the responsibility of the *shah*. If the *shah*, i.e., the holder, is not known to the drawee, inquiry is to be made about him, and the amount of the *hundi* is not paid till the gentleman is identified or his respectability vouched for. If the drawee of a *shahjog hundi* has without being guilty of negligence paid it to a *shah* who derives his title of ownership through a forged endorsement, he is liable according to the mercantile usage of the Marwari bankers, to refund the amount with interest from the date of payment to the date of refund, provided the drawee on discovering the forgery lost no time in communicating the fact of forgery and in claiming refund from the "shah".

297. *Firmanjog hundi*—"Firman" is an urdu word meaning "order" therefore, all *firmanjog hundi*s are payable to the order of the person named. This is an important distinction and affects the mode of the transfer of the bill.

In the *firmanjog hundi* no transfer is complete unless the person to whose order it is drawn or his duly authorised agent has endorsed his name thereon.

298. *Dekhavanhar hundi*.—*Dekhavanhar hundi* is a bearer bill and is payable without endorsement. This represents an English bill of the Bank of England or a cheque payable to bearer on demand.

299. *Jokhmi hundi*.—A *Jokhmi hundi* is one which is always drawn against goods mentioned in the body of the *hundi*. A "*jokhmi hundi*" implies the condition that the money shall be payable only in the event of the receipt of the goods against which the *hundi* is drawn. It resembles a documentary bill of exchange as defined in the Bills of Exchange Act or the Indian Negotiable Instruments Act. A *jokhmi hundi* seems to have been designed with a double purpose, *viz.*, to put the drawer of the *hundi* in possession of funds and at the same time to effect an insurance upon the goods themselves. The *hundi* is an authority for the consignee to pay for the goods or deliver them over to the holder. If the goods are lost the holder cannot claim payment but he is entitled to be paid in full in the case of partial loss or damage.

300. We have so far dealt with the principal kinds of *hundis* both *darshani* and *muddati* and now we propose to deal with other instruments which are used by the indigenous bankers and money-lenders here.

301. *Jawabee hundi*.—The nature of the transaction known by name of *Jawabee hundi* is as follows :—

"A merchant desirous of making a remittance writes to the payee and delivers the letter to an indigenous banker and money-lender who either endorses it in favour of any of his *arantias* near the payee's place of residence or negotiates its transfer. On its receipt the letter is forwarded to the payee, who attends and gives his receipt in the form of an answer to the letter, which is forwarded by the same channel to the bearer or the holder."

302. *Zikri Chit*.—The "*zikri chit*" or letter of protection is in use everywhere in connection with *Maryvari hundis*. It is furnished to the holder by some prior party to the *hundi* on the *hundi* being refused acceptance or when a refusal is likely to occur. It is addressed to some person in the town where the *hundi* payable is and if the reference is considered unsatisfactory, the holder for the time being can claim a fresh *chit* or demand payment immediately. It is, however generally found that the person addressed in the *chit* accepts the *hundi* and pays it at maturity. The acceptance is given in writing on the *zikri chit*. According to the usage of the indigenous bankers and money-lenders a *hundi* may be accepted for honour under what is called a *zikri chit* without being noted on or protested. This may correspond to what is generally seen on the foreign bills of exchange "*case in need*."

303. *Peth, perpeth and majornama*.—*Peth* is called the copy of the *hundi* when the original is lost, and is not traceable. It is given to the holder, the original having been lost. If the *peth* is lost another copy is given by the drawer called "*parpeth*" but if both of these are lost, the *panch* of the community gives another copy called the "*majornama*". This last document is however very rarely demanded as with good postal arrangement and the increasing intelligence of the *beoparis*, such a contingency very rarely arises.

304. We have dealt in the foregoing paragraphs the chief forms of instruments that are used in business and the various ways of granting loans by the indigenous bankers and money-lenders. We shall in the following pages state what we have learnt about the rate of interest that are charged in this State by these men from various classes of people and also the method of their calculation.

305. *Interest.*—Interest is the money which is paid for a loan or the use of money. In the case of a banker interest is paid by him to customers for money deposited and is received by him for money he has lent to various classes of borrowers.

306. *Hundavan or discount.*—It is a form of interest, the only difference between interest for a loan and discount on a bill is that the interest is not payable in an ordinary way until the end of the year or the promised period, whereas the discount is paid at the time the bill is discounted.

307. The indigenous bankers and money-lenders charge various rates of interest and there are various methods of calculating it. Between themselves the general practice of charging interest is seven annas and nine pies per cent. This rate of interest is universal throughout the State, but in certain cases or with a stringency of money or the necessity of a brother money-lender the rate of interest sometimes goes up to 9 per cent per annum.

308. For the general merchants and contractors of the first class the rate of interest varies from 9 per cent to 12 per cent per annum. In the case of second class merchants the rate of interest goes upto 18 per cent per annum.

309. There is practically a uniform rate of interest for cultivators throughout the State, *viz.*, $18\frac{3}{4}$ per cent per annum, but it slightly varies in certain cases and ranges between 15 per cent and 24 per cent. The zamindar money-lenders charge 2 per cent interest per month from their borrowers. They also charge 5 per cent to 10 per cent as *kata* in addition to interest.

310. The *khandiwalas* pay Rs. 10 and recover at the rate of Re. 1 per month from their debtors. In certain cases the *khandiwalas* pay Rs. 90 and realise at the rate of Rs. 10 per month. The rate of interest for *khandiwalas* generally works out to 20 per cent per annum.

311. For calculation of interest on the English system of banking 365 days are taken for a year, while the indigenous bankers and money-lenders calculate interest for 360 days only. The interest for full one month is called *paccā ank* and for a day *katcha ank*. When the *katcha ank* is divided by thirty it makes the *paccā ank*. The interest is calculated for every 100 *anks* of the rate. This comes to Re. 0-7-9 per 100 rupees per month all over the State. The system of interest is called *katmiti-ka-byaj*.

312. The rate of discount in cases of *hundis* differ in different times of the year. It depends largely on the demand and supply of money at a particular time of the year at a particular place. The average rate is between 3 per cent to 12 per cent per annum. No difference is observed between interest and discount.

313. *Methods of accounting.*—We think it necessary to say a few words here about the system of indigenous accounting, which is well-known not only for its antiquity but also for its simplicity and efficiency. The indigenous banker

and money-lender keeps a number of account books called *bahis*, and chiefly the following: *khata bahi*—This is called “ledger” in English book-keeping. The only difference between this and the English ledger is that the entries from the English cash book to the English ledger are posted on the reverse side, *i.e.*, the entries of the left hand side are posted to the right hand side and of the right hand side to the left hand side. But this is not the case in *Hindi* ledger posting. The right hand entries are posted to the right hand and the left hand ones to the left hand. The English ledger contains columns, while in *Hindi* no columns are kept. The ledger accounts in English are called accounts, while in *Hindi* the *khata* accounts are called *khatas*.

314. *Rokar bahi*.—This is what is called in English cash book. In this book all the cash sales, purchases, loans and deposits of the indigenous bankers and money-lenders are entered, from where they are posted into the ledger. The posting is called *khatana* in Hindi book-keeping. The posted item is marked (/) or (o) and in the body the page of the ledger is written. In English book-keeping there is a separate page folio allotted for the purpose.

315. There are again no columns in this book as against English book-keeping, but the pages are divided into 12, 8 or less folding lining marks which run parallel from top to bottom. Each page is divided in equal halves for-credit and debit entries as they occur.

316. *Nagal bahi*.—This is called journal in English book-keeping. This book is used for all *credit* transactions where *credit* sales or purchases are carried on and is just like the cash book and written in the same way save that the cash transactions do not come in.

317. *Ankra*.—This is a statement of accounts for a particular year of a *beopari*. This is prepared from the other set of financial books kept by the *beopari* or indigenous banker and money-lender.

318. *Bijak*.—This is called in English book-keeping bill or invoice. This is prepared for all the goods sold on credit.

319. *Hundi nondh bahi*.—This corresponds to bill receivable and bill payable book in English book-keeping. In this book all the *hundis* whether drawn by the money-lender and indigenous banker upon some body or drawn by others upon him are entered for purpose of reference as to the date of payment, maturity, etc. Having dealt with so far with the extent and methods of the indigenous bankers and money-lenders we propose to deal with some other points in the following paragraphs.

320. *Capital*.—The committee tried its utmost to arrive at any rough idea about the capital of the indigenous bankers and money-lenders in the State. This we have not been able to do. We, however, carried out an intensive enquiry about the agricultural and non-agricultural indebtedness and from it we can roughly estimate the capital of the indigenous bankers and money-lenders to amount to Rs. 5,66,99,973 in all the Nizamats of the State. This estimate cannot be considered accurate, but can be approximately relied upon for our purpose.

321. *Deposits*.—Generally the indigenous bankers and money-lenders in villages and towns do not keep any deposits and those at the capital do keep

deposits of some of the people. But deposit system is not yet much current here, and as the indigenous bankers and money-lenders are against giving any information on the subject, we regret this information cannot be given. We, however, estimate their deposits to be about 2 per cent of the total capital which we have arrived at from our intensive enquiry.

322. Cash balance.—This is again a difficult matter to be definite matter and as the indigenous bankers and money-lenders were reluctant to give any information on the subject we cannot give anything like a correct figure. We may, however, state that the cash balance is much larger, in crop season than in other seasons. The ratio from the rough idea that we could get from our enquiry comes to about 5 per cent in ordinary days and $7\frac{1}{2}$ per cent to 10 per cent in crop days to their total resources.

323. Lines of advance.—This has well been explained under the heading “methods”. Their lines of advance are simple and it is why their business is so extensive in all the parts of the State, nay, the whole of India. The village money-lender advances cash for payment of land revenue, purchase of cattle, *charsa*, plough and other necessities of life to the cultivator, the village artisan and other inhabitants of the village. He gives corn for the sustenance of the cultivator and other people, he gives seed for, sowing and does all that is required for or by a cultivator from the time of sowing the land to the time of reaping his crops. The town money-lender advances money for export of produce or he himself does it after purchasing the same from the cultivators or the village *bania* who brings the produce to the *mandi* for sale. He advances loan against the storage of corn and other field produce in case it is not sold by the reason of unfavourable rates or dearth of buyers. He cashes *hundis* and buys railway receipts and sells them to the city bankers. The same is true of the city indigenous bankers and money-lenders.

324. Establishment.—The establishment of the indigenous bankers and money-lenders differs in many material aspects from that of the joint stock banks. In a joint stock bank the affairs of the bank are carried on by a manager or managing director, who is generally a paid servant and is controlled by a board of directors who are elected by the shareholders, while in the case of the business of indigenous bankers and money-lenders, it has invariably been seen that the business is conducted by the members of the family and, therefore, the cost of management is reduced. Those who have sufficiently extensive business, keep *munims* to conduct their business, but these men are generally paid less than what an average clerk in the joint stock bank gets, and they are engaged mostly as *rokarias* or *gumashtas*. Their establishment generally therefore, consists of a *rokaria*, a *gumashta* and one or two *harkaras* (peons) paid on the average from Rs. 15 per month to Rs. 50 per month. In the capital, however, big bankers keep a number of additional *gumashtas* because of the volume of business; and the average cost inclusive of all incidental expenses in the villages is about Rs. 250 per annum and in the towns to Rs. 500 per annum, while in the capital and in the case of big firms in the towns it comes to about Rs. 1,500 on the average.

325. Clienteles.—The indigenous bankers and money-lenders have no intelligence department, and their business is conducted on the lines which have been chalked out and followed from generation to generation. Their clients are

generally those who have hereditary or permanent dealings with them. This is so, for the reasons that when a cultivator is once brought into the clutches of a money-lender, it is difficult for him to set himself free. The agricultural classes are unthrifty. They generally borrow loans recklessly for the marriages of their sons and daughters, for the funeral rites of parents or for the prosecution of laws suits. They are ready to promise anything which will procure them the immediate satisfaction of their wants. Moreover, there is no other agency which may finance or satisfy the needs of the agricultural community of the State. It is apparent therefore, that the agricultural nay the whole rural and urban population of the State has to resort to money-lenders. The clients of the indigenous bankers and money-lenders in the State are small cultivator, the tenant, the field labourer, the potter, the carpenter, the blacksmith, the barber, the goldsmith, the washerman, the oilman, the shephard, the mason, the *chamar*, the *bhangi*, the clerk, the vakil, the contractor, the beetle merchant, the vegetable seller, the sweetmeat merchant, the cloth merchant, the skin merchant, the wool merchant, the cotton merchant, etc., etc.

326. *Relation to agriculture, trade and industry.*—Situated as they are the indigenous bankers and money-lenders have indissoluble connections with the whole agricultural, industrial and commercial machinery of the State. They finance the whole of the agricultural operations from manuring and sowing to harvesting, they market the produce, procure money for daily sustenance of the agriculturists, they do commission agency business, import cereals, cloth and other necessities of life and, therefore, they, as far as the Bikaner State is concerned, play a very important part in the economic life of the people importing all necessities of life for the entire urban and rural communities as well as financing the subsidiary industries and trade of the State.

327. The indigenous bankers and money-lenders have a very intimate connection with cultivators and are themselves largely dependent on agriculture. Out of the total population of the State, *viz.*, 6,59,685, 4,91,694 is the rural population while only 1,67,991 persons inhabit the towns of the State. It is, therefore, evident that more than two-thirds of the population of the State are engaged on agriculture or occupations indirectly connected with agriculture. The financing of agriculturists and their operations is thus, the main business of the money-lenders of the State. In our recollection there is no other financial agency except the co-operative societies, supplementing the services of the indigenous bankers and money-lenders in the State.

328. The whole agricultural operations other than sowing, planting and reaping and all industrial and trade operations are, therefore, in a way controlled by indigenous bankers and money-lenders or financed by them.

329. *Relations to other banks.*—The indigenous bankers and money-lenders of the Bikaner State have no connections with any banks within the State except the Bikaner State Savings Bank through which they get remittance facilities to various business centres in India.

330. *Facilities required.*—The Census Report of 1921 disclosed the number of indigenous bankers and money-lenders in the State to be 4,734. This seems an overestimate as the bank managers, money-lenders, insurance agents are all included in one group, and, therefore, nothing can be precisely said as to

the exact number of the men who are really engaged as indigenous bankers and money-lenders in the State. Taking for granted that the number of others was 234, the actual number of indigenous bankers and money-lenders came to 4,500. It may, therefore, be stated that the total number of financing houses, big and small, in the whole length and breadth of Bikaner State was 4,500 which may be considered to compare very favourably with any other part of India.

331. We have examined witnesses of every class in the State and from the evidence recorded by us we gather that though there are as many as 4,500 banking houses big and small within the State, there do not exist adequate financial facilities in *mandis* and business centres as well as for the agriculturists. Before recommending any further facilities, we propose to examine the defects of the system as at present obtaining in the State.

332. We have stated in a preceding chapter that there is hardly any deposit system prevailing in the State, and the indigenous bankers and money-lenders keep little or no deposits and do very little discount business; but deal with their own capital. From the foregoing analysis it may be stated that the present system of indigenous banking hardly constitutes "banking", as it is understood in modern banking world. The indigenous banking of this State, rather the whole of India, therefore, may be styled as money-lending.

333. It may be stated that this money-lending business itself has unfortunately several defects, such as usurious rates of interest, compound interest piling up to double the original amount, dishonest dealings on the part of money-lenders, uneconomic methods of borrowing for unproductive purposes, all contributing to the misery and helplessness of the debtors on the one hand and resulting in the abuse and calumny of the creditors, on the other hand. We propose to devote a few paragraphs to a detailed survey of these.

334. *Want of deposits.*—The evils are that the indigenous banking does not attract deposits to any appreciable extent. This lack of deposits has had serious effects in other directions. The savings of the people of the State without the means of profitable investment are used up either in ornaments and jewellery or are hoarded by ladies in the corners of their houses; and, therefore, the savings cannot be made available for the development of the natural resources of the State.

335. *Usurious rates of interest.*—It is a theme of constant complaint by the borrowers that the indigenous bankers and money-lenders charge a very heavy rate of interest, *i.e.*, while they charge between themselves interest at the rate of Re. 0-7-9 per cent per month, from the cultivators they charge interest ranging from 15 per cent to 24 per cent per annum. These are the minimum and maximum rates of interest for ordinary transactions, but generally the rate charged is $18\frac{3}{4}$ per cent per annum. At the conference of the Banking Enquiry Committees held at Calcutta on the 3rd and 4th January, 1930, it was remarked by some of the Provincial Chairmen that the realisations of the money-lenders were 35 per cent on the average, the rest being turned into bad debts, and therefore, the high rate of interest compensating them for the losses of the kind was not unjustified. We made searching enquiries in the Ganganagar, Suratgarh and other divisions and have come to the conclusion that the realisations are

certainly slow and uncertain and sometimes they also turn into bad debts due to (i) failure of crops, (ii) the debtors leaving the State in search of employment in British towns, (iii) loans taken by the people being sometimes for unproductive purposes like marriages, *osars* (death dinners) and the like. The committee, therefore, is of opinion that instead of any legislation to control rates of interest, it would be better if the matter be left as it is in this direction, and efforts were made to prohibit or check unproductive loans and expenditure beyond means on marriages and *osars*, and also to create a competitive agency, like the co-operative societies, and make its operations co-extensive with the activities of the indigenous bankers and money-lenders.

336. Compound interest—This again cannot be helped as the rates of interest depend upon demand and supply of money. If there is sufficient money in the market, the rate of interest will go down itself. It is now to be considered as to how supply of money can be increased. The only effective means for increasing the supply of money are the dormant capital lying idle in pits which should be brought into use for productive purposes, and this can only be done if confidence of the investors and depositors is won by the indigenous bankers and money-lenders. The best way to achieve this object is to increase the capital resources of the indigenous bankers and money-lenders which can be done by taking conciliatory methods to reorganise their working methods and educating them on the principles of the present day banking by forming combinations amongst themselves thus increasing their capital and engendering confidence in the public minds.

The other method is to raise a competitor quite independent of the indigenous bankers and money-lenders which will automatically bring down the rates of interest.

337. Dishonest dealings on the part of money-lenders.—The committee have received complaints of distrust in the dealings of some of the indigenous bankers and money-lenders, and though the names of such persons have not been enquired into and there seemed no necessity for such an enquiry, the committee were satisfied that there was a dispute between the debtor and creditor as to the correctness of the debit balance shown against the debtor. The money-lender and indigenous banker have come in so much disrepute for this that we seek no apology to quote a passage from the Bankers Magazine Vol. CVII, No. 3., Newyork, for the month of September, 1923—

“Loans on farm lands in India are not taken care of in the same manner as in the United States or in European Countries says a report to the Department of Commerce at Washington. Practically all of such loans made by the native money-lender called the ‘*Marwari*’ modern methods of finance are practically unknown in the country districts and only come into anything like general use in big business centres.

The usual procedure for the Indian farmer when he wishes to buy a bullock, make an improvement, or provide a dowry for a daughter is to go to the money-lender in his village and ask for the amount he needs, offering his farm or jewellery as security. The money-lender is understood in many cases to take two receipts, one for the exact amount loaned and the other for sometimes twice the amount. The interest charged is usually one anna on a rupee per month or about $6\frac{1}{2}$ per cent. per mensem.

If the amount borrowed is paid back by the farmer both of the receipts taken are returned to him, but if the farmer cannot pay and the money-lender has to go to court to foreclose, he produces the receipt for the larger amount and collects on that basis

There is no regular form for the arrangement made between the farmer and the money-lender."

338. We may further refer to the written note of evidence that we have received containing the same type of complaint from certain other people.

339. It is now a question as to how this defect can be removed and how dignity can be brought in the transactions of the money-lenders and indigenous bankers with their clients and how their books of accounts can be considered correct and respected in the same manner in a court of law as the books of accounts of joint stock banks in British India. We have given our careful consideration to this very important point and have come to the conclusion that it would create a wide opposition if any measures are adopted to have the accounts of these people audited like the joint stock banks. This would be undesirable at this stage and if suspicion of mistrust is created in their mind all efforts to grant further facilities to them, which subject we are presently coming to deal with, will meet with opposition from these people. We, therefore, think that the Bikaner State should follow the example of the Gwalior State in the matter of the examination of the accounts of money-lenders for purposes of civil suits. The Government of Gwalior has appointed a "Masahlta Board" the function of which is to examine the accounts or the papers relating thereto on reference by the law courts competent to try such cases, and when they have submitted their report, the matter is dealt with by the court. In this Masahlta Board no Vakil is allowed to appear for either party. The constitution of the Masahlta Board may rest with the Government and a scheme can be worked out just on the lines the Ajmer or Gwalior Government have adopted.

340. *Uneconomic borrowing for purposes of unproductive use.*—The subject has been dealt with at length in another chapter and we would only state that unproductive loans like marriages and *osars* should be discouraged by means of propaganda work through philanthropic agencies.

341. *Licensing.*—The committee have not received evidence in favour of licensing the indigenous bankers and money-lenders and, therefore, we do not propose to suggest to the Government licensing of the indigenous bankers and money-lenders in any shape. We would, however, desire that some legislation to regulate their transactions with the debtors may be brought on the statute book. We have dealt with this matter in another chapter, and we need not pursue it further here.

342. *Publicity of accounts.*—The committee have not received any encouraging evidence on the subject. Almost all the indigenous bankers and money-lenders who appeared before the committee or who sent in their written statements have not desired the publication of their accounts, and we have come to the conclusion they are very much against the publication of their accounts. The debtors also are not in favour of getting their accounts published.

343. The committee, therefore, do not propose to recommend to His Highness' Government the introduction of any law or similar measures for the publication of accounts by the indigenous bankers and money-lenders. But we think there seems to be no harm to introduce, if possible, the system of issuing pass books between the debtors and creditors as is done by the co-operative department. The debtor will be in a position to know his accounts and the net amount that he has to pay to the money-lender, on which he can either himself or through some friend calculate the interest and arrive at the exact figure.

344. The chief complaint of the agriculturist debtors is that they do not know their true state of accounts and they are never informed of their position by the money-lenders. Receipts for sums paid are not given and the entry of the amount paid is left to the money-lender. We think that litigation will diminish to a great extent if the use of pass books is made compulsory.

345. *Linking with general banking system.*—In order that indigenous bankers and money-lenders may be more useful to the public and themselves, they should be linked with the Bikaner Central Bank, the constitution of which we have proposed in another chapter.

346. The head office of the Bikaner Central Bank should keep up-to-date lists of indigenous bankers and money-lenders with particulars of their standing and stability. The list should be prepared with the help of important local merchants and local State officials like the Munsifs and the Nazims. Information called from the lists should be made available to co-operative credit societies and the State Savings Bank and all indigenous bankers and money-lenders with whom the Bank has dealings.

347. The Bikaner Central Bank should create a market for trade bills, (*hundis*) by discounting them through parties dealing directly with the bank.

348. Liberal credit facilities should be provided to approved indigenous bankers and money-lenders *on one signature as is done in Western Countries like Canada.*

349. *Recommendations.*—Having dealt with the various aspects of the business of indigenous bankers and money-lenders in the State we make the following recommendations, which we trust will be of great help to them if carried out. The indigenous bankers and money-lenders should get the following facilities :—

- (i) Financial facilities, *e.g.*, seasonal loans, rediscount of *hundis* and overdrafts.
- (ii) Legal facilities.
- (iii) Consolidation and improvement of their system by—
 - (a) establishing a Bikaner Central Bank ;
 - (b) establishing a link between the various credit agencies and the Bikaner Central Bank ;
 - (c) by providing close contact between the indigenous bankers and money-lenders and the Bikaner Central Bank.

350. Either the Bikaner Central Bank must open its branches all over the State in order to facilitate contact with indigenous bankers and money-lenders

and their agencies, or the latter should be so organised as to form an effective link between the village constituents and the Bikaner Central Bank.

351. The use of cash must give way to bills and *hundis* in the commercial and financial operations in the State. The indigenous bankers and money-lenders must change their existing practice and perform the same functions in the money market as are rendered by the money and discount brokers in the Indian or London Money Market.

352. We have been convinced from the evidence that has been taken by us and the study that we have made of it that the indigenous bankers and money-lenders have played and are playing a very important part in the financing of agriculture, trade and industry of the Bikaner State, and, therefore, the indigenous bankers and money-lenders must be guarded against all possible danger of their being squeezed out as a result of the growing expansion of such agencies as may be harmful to their interests. Nothing could demonstrate the truth of this statement more clearly than the banking history of the great trading nations of the world during the last two or three centuries. This can well be justified by the fact that the financial condition of the population of the State as a whole and of Napasar, Deshnoke, Chnru and Ratangarh specially is growing weak every day.

353. If no steps were taken, the slow but sure disappearance of many indigenous bankers and money-lenders should be unfortunate for the whole of the Bikaner State, and such a thing would involve the loss of a wealth of invaluable knowledge of local conditions, of personal contact and relationships extending over centuries and of ancient banking methods and practices which are still in force and which if judiciously mixed with modern up-to-date developments should be a source of great strength and solidarity to the Marwari banking system.

354. In the belief that the indigenous agency has rendered yeoman service in the past and is capable of playing a much more important part in the future, and that it is desirable to accelerate the progress of Marwari banking we make the following suggestions in regard to the manner in which the system of indigenous bankers and money-lenders may be reorganised.

355. We may state that the scheme that we desire to put forward for the reorganisation of the indigenous bankers and money-lenders is quite simple in its theory. The Government of Bikaner should carry on a propaganda for all money-lenders in the villages and towns to combine themselves on the joint stock principles, like loan offices of Bengal, thus pooling their resources and forming themselves into joint stock indigenous bank. The indigenous bankers and money-lenders, it may be expected, will act as paid agents, managers or treasurers of the bank, besides earning dividends on their shares and interest on their deposits, if any.

356. Before proceeding further, we should like to reproduce a note by the Chairman of the Bengal Provincial Banking Enquiry Committee which would give an idea of the working of such offices in that Presidency.

“The indigenous land mortgage banks in Bengal are usually known as loan offices. Seven hundred and ninety-nine of such institutions had been registered upto the end of March, 1929, having a working capital exceeding ten crores. They are joint stock companies registered under the Indian

Companies Act. With the exception of a very few in Calcutta and other big trading centres they do not discount bills or finance trade or industry but take current deposits and use cheques.

Their share capital is subscribed by a few promoters only and shares are hardly ever available for sale. Usually they are of a very small face value, say about Rs 10 and in the older banks they are generally fully paid. The share capital forms a very small portion of the working capital.

The remainder of the capital consists of deposits from the general public and undivided profits sometimes specifically shown as a reserve fund, but not always. The deposits are not taken for a fixed period but at the time of making the deposit, the depositor arranges with the bank that he will require the deposit to be repaid after notice of a certain period varying from one to seven years. No notice is ordinarily given at the time of making the deposits, but when the depositor wants back his money he gives his notice and gets repayment after the expiry of the period agreed upon. The rate of interest on these deposits varies according to the period for which notice is required for repayment. In a typical rural loan office in the district of Mymansingh situated at Bakshiganj twelve miles from the nearest railway station the rates are as follows :—

8½ per cent per annum on deposits requiring one year's notice.

9 per cent per annum on deposits requiring two years' notice.

12 per cent per annum requiring 4 years' notice.

In some of the well-established banks the rates are lower, varying from 6 to 9 per cent. As a matter of fact these deposits are seldom withdrawn and notices are not ordinarily given except for emergent necessity of the depositor or a run on the bank caused by panic. This is the way how these institutions obtain long term deposits.

Loans are given to agriculturists only in the majority of loan offices. In some of the larger and older established offices in towns loans are given to land-holders and intermediate tenure holders, and to a very small extent to tradesmen or merchants; a bank in Calcutta or other town finance industry. To very approved clients from whom the bank expects no difficulty in realisation of loans are given without security on promissory notes. The rates of interest on such loans vary from 12 per cent to 24 per cent per annum according to the amount of loan. Some loans are given also on the pledge of gold or silver ornaments on which similar rates are charged. The bulk of the loans are given on mortgages of land and the interest of these vary from 18½ per cent to 75 per cent per annum.

In all loan offices it is customary to recover the interest quarterly in advance. In default a penal interest is charged at the rate of 18½ per cent. The original bond does not contain any provision of the penal interest but the rate of interest stipulated includes the penal interest and it is remitted if the interest is paid in advance. Thus for a loan taken on interest at the rate of 24 per cent per annum the rate stipulated in the bond is 42½ per cent. If the interest is paid in advance only interest at the rate of 24 per cent is collected but in case of default the debtor is threatened with the full rate of interest. In this way the collection of interest is generally punctual.

There is seldom any period fixed for the repayment of the principal as long as the interest is regularly paid. The loan office does not press for repayment of the principal. But repayment of instalments are accepted at any time they are made. Suits are brought only in case of repeated default or when the period of limitation is about to expire.

The landed property which is mortgaged has often to be sold off in execution of mortgaged decree and in a few cases there being no other bidders, the loan office is compelled to purchase. They try to get rid of the property by private sale as soon as possible, management of landed property is not a task that a loan office can profitably undertake. A few of the older loan offices have, however, acquired landed property in this way and have got separate estate department for their management. All loan offices, however, consider such work to be arduously unwelcome.

A large majority of the loan offices do not put by a sufficient portion of their profits as a reserve fund as such, but some of them invest part of such profit in Government securities which they deposit in branches of the Imperial Bank and against which they borrow when necessary even where the balance sheet shows specific amounts kept as reserve fund such amount is not always separately invested at least not fully.

These banks are managed by board of directors elected by shareholders who divide the duties of management between themselves, *e.g.*, one is called supervising director who keeps running internal audit; another is called investigating director who examines all applications for loans and makes local enquiries in regard of the property which is proposed to be mortgaged; while a third looks after the cash balance and keeps of the second key of the treasury chest, the first being kept by the paid manager. These directors all receive a remuneration varying according to the nature of the duties out of the gross profit at the end of the year. The majority of these men are practising lawyers.

The staff entertained in these banks is small and consists of a manager who is usually the cashier and a few clerks and peons. They learn their work as they enter the bank and have no previous banking training. Their remuneration is small and depends upon the income of the bank.

The rate of dividend paid by these banks is necessarily large as the proportion of deposit to the share capital is large. One loan office paid a dividend of 125 per cent last year. In the others the rate varies from 10 to 50 per cent. Some of the older and well-established loan offices having built imposing business premises. The others are located in hired houses.

These loan offices are flourishing side by side with co-operative societies situated in the same village. In Jamalpur sub-division there are 250 co-operative societies and 182 loan offices. Substantial men who are not habitual borrowers prefer to borrow from the loan offices instead of the co-operative societies, as they do not want the fact of their having to borrow being known to their neighbours or are unwilling to explain to their friends why the loan is incurred or to risk a refusal at their hands. At the same time men who on account of their character or circumstances are refused admittance into the co-operative societies have recourse to these loan offices if the value of the property they possess is of sufficient value to secure the

loan. Any village must contain a certain number of people of these two classes, and that is why such loan offices can be said to supply a real need."

357. It would appear from the short note of the Chairman of the Bengal Committee which we have reproduced above that the indigenous bankers of Bengal have combined themselves and are rendering very useful service to the agricultural communities and in certain instances to other trades and professions also. We may, however, state that the loan offices in Bengal do not generally grant loans to actual cultivators, there being no security with them to offer. Their chief business, therefore, consists of lending money to land-holders mainly on the security of their landed property. There is another draw-back that when the loans are granted no enquiry is regarded essential as to the purposes for which such loans are sought and obtained. Thus they cannot be said to have strictly undertaken the responsibility of financing agricultural improvements. Sometimes, rather in many cases, the consequences of such transactions are that the borrowing land-holder obtains the loan for unproductive purposes and ere long finds himself so much involved as to be unable to redeem the property furnished as security against the loan. In such circumstances the mortgaged property is often attached by the bank and being as a rule unsaleable at a profit remains permanently or for a considerable period in the hands of the latter.

358. The committee think that the idea of starting loan offices in Bikaner State through the combination of indigenous bankers and money-lenders is an excellent one but the circumstances prevailing in Bikaner are quite different from those existing in Bengal. Here the system of land tenure is not the same; proprietary rights are enjoyed in certain districts while in others the peasants have no proprietary rights and we have to adjust matters to the conditions existing in Bikaner State, consistently with keeping in view the point that the existing facilities afforded by the indigenous bankers and money-lenders may not be lost.

359. We do think that such loan offices if started will help at least the urban people and specially those who have newly started business in the canal area, if not the agriculturists generally. Some changes in the rules will be required and a draft scheme can be submitted if the proposals are entertained by the Government. We do not in any way favour the idea that such high rates should be allowed, and are of opinion that a reasonable maximum may be fixed for rate of interest and in return they may be given certain facilities in the recovery of their dues.

360. The committee are not aware of any function other than money-lending to have been undertaken by the Bengal loan offices. The loan offices carry on their business on strictly conservative lines and have been able so long to earn large profits. They have hitherto felt no necessity of developing their business and to a large number of them the discounting of bills is unknown. There is more than one reason why the loan offices fought shy of undertaking the ordinary functions of commercial banking more extensively. Firstly, the large profits hitherto earned have been responsible for a distinct lack of the initiative, but this alone could not have proved a deterrent in the absence of other causes. The fact has further to be taken into account that even if they proposed to undertake *hundi* discounting, they could not have possibly secured large business on that account, as the currency of bills in the interior of Bengal is still very

scanty. This is not so in Bikaner. The institutions have been well-established there and are not exclusively concerned with any one business while in Bikaner the institutions will have to be started with the same personnel as are doing the money-lending and indigenous banking business in Bikaner State. They have a regular *hundi* business and the *Marwaris* are famous for *hundi* business.

361. If the Bengal loan offices really proposed to do *hundi* business, they could not have possibly done any appreciable amount of business as there are many loan offices which have neither any branch office nor an account with any bank in the various trade centres. But this obstacle has to be removed in Bikaner if these proposed loan offices are desired to serve the interests of the cultivators and specially of the traders. These loan offices which the committee advocate to be opened in Bikaner by combining the indigenous bankers and money-lenders would be linked with the Bikaner Central Bank.

362. The new indigenous banks as contemplated by the committee will, therefore, perform the same general functions as are at present being performed by the joint stock banks in India, *viz.*, receiving deposits, making loans and discounting bills of exchange.

363. We may state that it will, therefore, be a proper banking institution and in this respect it will mean a distinct advance over the existing indigenous agency out of which it will have been evolved. It may be stated that in banking combinations lie strength and economy and strength and economy inspires confidence and good-will which is the foundation of the whole fabric of a sound credit edifice.

364. The committee are confident that through the formation of such banks and their recognition and linking up with the proposed Bikaner Central Bank with a sound working system and through the demonstration of modern banking facilities and their advantages, such banks should prove potent factors in tending to create the much talked off and much needed banking habits amongst the various classes of the people of the Bikaner State. The people will certainly come to feel as they would be gradually acquainted with the whole personnel that it is not unsafe to entrust their savings to an institution which they can see with their own eyes to be placed on a sound footing. And when they once realise that deposits in a bank managed by their prominent and well meaning neighbours whom they have known all their lives mean not only safety but also prosperity, it will be the dawn of a new era in which dormant hoards will slowly begin to be synonymous with bank deposits.

365. It may be stated that the more the banks succeed in making these hoards available as their working capital, the greater will be the measure of their usefulness in the area of their activities ; and the more useful they prove to be, the better will they be able to attract not only more and more of these hoards, but also new savings which they will tend to encourage. One good will thus lead to another and a virtuous circle will take the place of a vicious one. The mobilisation of dormant capital resources of the State for the development of rural areas through the proposed indigenous banks will in itself be a service of inestimable value.

366. The committee consider that some business of an unproductive nature they will find themselves unable to undertake, consistent with prudence, but for

that very reason they will discriminate between productive loans on the one hand and unproductive ones on the other ; between provident people on the one hand and the spendthrift on the other. Such a discrimination should put a premium on the habit of thrift, self-help and labour and this must give a great impetus to their business. This will of course be an asset of considerable value in the economic reconstruction of Bikaner State.

367. It has generally been complained that the rates of interest charged by the indigenous bankers and money-lenders are very high and exorbitant and there is a general cry that if the rates of interest can be reduced the burden of the rural population can be much lightened. Situated as they are no amount of organisation in the *muffasil* is likely to bring down the rates. The only effective way in our opinion to bring down the rates of interest is to create institutions to withstand competition with the established indigenons bankers and money-lenders and increase the supply of money. This can only be done by creating loan offices as has been explained in the foregoing pages, by extending the operations of the co-operative credit societies and by opening a land mortgage bank supplemented by a Bikaner Central Bank to link up all these institutions and to finance them whenever necessary.

PART VI.
CHAPTER XIV.
BANKING.

368. *Banking law.*—There is no joint stock bank in Bikaner State and, therefore, we have not received any appreciable evidence on the subject. We have, however, received pressing evidence on the desirability of opening a central bank in Bikaner State, the utility and necessity of which we have already dwelt upon in chapters on indigenous finance and elsewhere ; and we are of opinion that there is a very great necessity of a central financial institution in Bikaner State. We have also received evidence both in favour of a State bank and a joint stock bank. The majority of the advocates are for a joint stock bank and we are also of the same opinion. We do not propose to deal at length the constitution of the proposed bank, but will suggest the following main points which should be taken into account in the constitution of any bank.

369. The regulation of banking under the Indian Companies Act has not afforded ample protection to the share-holders and depositors. In spite of the appointment of professional auditors, there have been bank failures, and during the period of liquidation, there have been startling disclosures of a very grave nature as in the recent case of the Bengal National Bank. In view of all these draw-backs, we are of opinion that there should be a separate Bank Act for the regulation of banking.

An Act so framed should have a period of 10 years as its life, and renewed at the end of each decennial period. This plan would permit of a revision of the Bank Act at fixed dates in such respects as experience of its working may make desirable. In ordinary course the Act will be reviewed and the charter extended at the next session of the Legislative Assembly.

370. *Kind of banks.*—In a Bank Act so framed an attempt should be made to define the functions of a bank in general terms. There may be separate parts of the Act applying to certain classes of banks, *e.g.*, commercial banks, savings banks, land mortgage banks, agricultural banks, industrial banks and trust and loan companies. The Act should define and outline the operations of all those types of banks in the body of the Act as comprehensively as practicable.

371. The Act should be framed on the following lines :—

372. *General.*—The Act must clearly specify the names of the institutions to which the sections of the Act would apply.

373. *Incorporation and organisation of banks.*—The Act should lay down specific provisions for the capital, name and place of business, and should prescribe necessary forms on which applications for incorporation, etc., may be made. The Act shall prescribe the minimum amount on the raising of which the bank may be registered. The Act shall fix the minimum number of persons

who may constitute to form a bank and the minimum and maximum number of directors, both provisional and permanent, and the tenure of office of the directors elected.

374. The maintenance of statistical books shall be laid down with specimen form in the Act, which shall be incumbent on each bank to use for the said purpose.

375. There should be specific regulations for the meetings, ordinary and extraordinary, directors and shareholders meetings and general meetings. Definite clauses will be framed for the direction and conduct of business in the meetings.

376. There should be a section permitting business to be commenced on the fulfilment of the conditions laid down in the Act, without the fulfilment of which no bank shall be in a position to start its business.

377. As has been advocated by currency experts of most of the civilised countries for the regulation of paper and metal currencies by a national institution, each bank incorporated under the new Act shall be empowered to issue notes subject to such restrictions and conditions as may be necessary in the existing circumstances of a particular province or Indian State. There shall be a time-limit for making such an application from the date of its incorporation and it would also apply to the grant of certificates.

378. The Act should control the expenses of the bank by specific rules under the Act. There should be sections for the regulation of the powers of directors, voting by shareholders, etc.

379. There should be specific rules for the internal regulation of the banks, embodying regulation by bye-laws, supply of copy of bye-laws to the Government and shareholders, guarantee and pension funds, management qualification of directors, election of directors, election of chairman, casual vacancies, record of attendance of directors, record of services rendered by directors, powers of directors, appointment of officers, removal of directors, or chairman.

380. There should be specific rules for the regulation of capital stock, increase or decrease of capital, submission of statements to the Government about shares, their allotment and call, their transfers, forfeiture, fine, interest in case of failure to pay calls, right of shareholders, their liability and risk, provisions for shares subject to trusts, etc.

381. There should be rules for the punctual submission of annual, six monthly and special statements as prescribed in the Act.

382. The affairs of the bank shall be audited by two persons, one appointed by the shareholders and the other by the Government, who must have the necessary banking qualifications both theoretical and practical.

383. The Act should specify the responsibility and duties of auditors, subject to such control of the Government as may be desired. The report of the auditors shall be published with the audited statements of accounts and submitted to the Government.

384. The Act should provide for inspection of the affairs of the banks by Government Inspectors at periodical intervals as a supplement to the audit of accounts of the banks.

385. There should be specific rules for the declaration of dividends, cash reserves, and the responsibility and duties of directors in this respect.

386. The banks subject to such restrictions as may be imposed may issue and re-issue their notes. The issue department of the bank should be kept distinct from its banking department. The amount of note circulation shall be determined by the Government and shall be on a uniform scale for all banks in British and Indian India. There should be special provision for the seasonal issue of notes.

387. There should be rules governing the business and power of a bank with regard to opening of branches, agencies and offices and other banking business.

388. There should be provision for the encashment of Government cheques and to facilitate Government transfers. There should also be rules for the purchase of the assets of a bank. The act should contain other clauses regarding submission of returns, winding up, etc.

389. We have attempted to give an outline of the provisions that a new Bank Act is desired to embody and we would in the following pages outline briefly the more important points which we desire to emphasise.

390. Audit.—The point, as suggested by us for the provision of external audit would be an entirely new feature of the Bank Act. We hope no objection will be advanced by any one as to the desirability or usefulness of the external audit by two separate sets of auditors, but the problem is how to effect an audit without evoking the aid of too cumbersome or too burdensome a mechanism and how to avoid placing too great a burden of responsibility on those assuming the work, without first ascertaining how far the physical limitations of any such examination would affect the value of its conclusions. Two sets of auditors have been suggested by the committee, one by a firm of public accountants and the other appointed by the Government. We think that instead of taking the direct control in their hands the Government may advantageously entrust this work to the Indian Institute of Bankers. The idea of Government examination is advocated on the system of bank examinations in the United States. There is no doubt that, as in the United States, the Government audit and inspection will be taken by the public in a way as a guarantee of solvency. Such a supervision would throw a great deal of responsibility on the Government for a bank failure, but this responsibility should be accepted by the Government. If the Government takes upon itself the appointment of auditors directly, it will create some difficulty, but if the auditors are appointed through the medium of the Indian Institute of Bankers, we hope the system would overcome all difficulties and be a satisfactory solution of the question.

391. Note issues.—The banks should be empowered in regard to the general note issue and circulation of notes. A bank shall issue and re-issue its notes payable to bearer on demand and intended for circulation to the extent of its unimpaired paid up capital. No such note, however, shall be of a denomination less than Rs. 5.

392. During the usual season of moving crops a bank should be allowed to issue additional notes of an amount not exceeding 15 per cent of its combined unimpaired paid up capital and reserve fund as shown in the financial statement

submitted to the Government for the period immediately preceding the half-year in which the additional amount is issued. While the banks enjoy this privilege they shall pay to the Government interest on the excess at a rate not exceeding 5 per cent per annum, the interest to be calculated on the amount of notes in circulation for each day during the month.

393. Central gold reserve issue.—In addition to this special provision for emergency circulation during the crops sowing period, the Act should provide for an increase of circulation at any time against the deposit of gold.

394. Bank circulation redemption fund.—Each bank should be required to deposit with the Government a sum equal to at least 5 per cent of the average amount of its notes in circulation during the year. This amount would bear interest at 3 per cent per annum and would be utilized in redeeming such bank notes as are not redeemed by the bank itself.

395. Bank statements.—The Bank Act should require the submission to the Government of a $\frac{\text{quarterly}}{\text{half-yearly}}$ statement and annual statements of profit and loss and balance sheet to the shareholders. To the average man a bank statement should be of more than a passing interest; and, therefore, they should be complete with all the necessary information, and leave little room for the concealment of any facts by the bank executives. A bank statement is primarily intended to show the distribution of assets of a bank and to whom they ultimately belong, the public, local bodies or the shareholders. The liabilities should be arranged in an intelligible form, *e.g.*, deposits payable after notice, demand deposits, deposits elsewhere, due to banks in India, due to banks in foreign countries, Central and Provincial Governments, capital and reserve, specie and Government notes, notes and cheques of other banks.

396. Lending a bank's money.—This is one of the most important functions a bank has to discharge. Experience is the only teacher to save the bank from losses. A bank must naturally expect to incur some losses in its business but due discrimination in advancing loans will reduce these losses to a minimum.

Certain qualifications are essential for the manager of a bank and the Act should specify these essential qualifications. There should be certain conditions which ought to be fulfilled before money may be advanced and the following general information should be in the possession of a bank manager:—

- (i) Antecedents and character of a borrower,
- (ii) nature of the business,
- (iii) organization,
- (iv) competition,
- (v) business methods,
- (vi) outside opinion,
- (vii) landed property urban and rural,
- (viii) agricultural produce and kinds,
- (ix) live-stock,
- (x) other resource,
- (xi) net worth.

The manager should also know:—

- (i) For what purpose is the bank money to be used ?
- (ii) Is the loan safe in the same manner as the private money of the manager would be if he lent it ?
- (iii) Is it a transaction that the bank should undertake or to which it can legally or morally become a party ?
- (iv) Will the money be used for the purpose for which it is borrowed ?
- (v) Will the loan or *hundi* be met at maturity and from what source ?

397. Classification of loans.—The Government in the Act should classify loans and make it incumbent upon the banks to send in statements to the Government classifying the loans granted, setting forth against each such particular as may be necessary to make it quite intelligible.

398. Internal inspections.—The Act should provide for internal inspection of bank accounts, including its branches. At irregular intervals and at least once in a year every branch should be visited by an inspector or his assistant from the head office and thorough audit of the books and accounts should be made. The inspection should be both for the examination of books and valuation of the securities and other assets of the branch.

399. Banks cost accounting.—Practically every bank of any importance in the United States has installed a system of cost accounting, and made a careful study of the principles involved. In India, however, very little attention has been given to the subject by the existing banks, although in almost every other line of industry cost accounting is accorded thorough consideration and in fact has become an absolute necessity under modern business conditions.

400. The necessity of a cost system to a bank is really greater than in any other business, owing to the narrow margin of profits on the gross amount handled in banking, and the number and variety of services rendered by the banks to their customers and the public with little remuneration.

401. Principle of cost accounting.—There are a great many factors entering into what constitutes a profitable account to a bank. The amount of credit balance maintained is not the principle factor to be considered, but the per item cost of the entries. In analysing accounts the following questions should be considered :—

- (i) Is the account producing a profit ?
- (ii) Is the account handled at a loss ?
- (iii) If the latter, exactly what other change of conditions governing the accounts will change the loss to a profit ? Any special reasons why a losing account may be continued ?
- (iv) If the account is profitable, is the bank justly entitled to a larger profit than now obtained ?
- (v) Is the depositor entitled to any additional concessions.

402. Branch expenses.—The conditions in India are quite different from those prevailing in Great Britain or the United States. It must be remembered that Indian banks open branches at a great deal heavier expense and more inconvenience than that English confrère and a branch is more likely to remain an

expensive burden in India for a longer period than a similar branch in England. In India a new branch generally starts with more loans than deposits. This should be judiciously considered by a bank's executive before opening a new branch, and at the same time to avoid unhealthy competition no bank should open a branch at a place where there is only just sufficient work for one bank. The Act should embody a section on these lines, and a certain percentage should be fixed for bank operations.

403. *Definition of a bank.*—A bank may be defined as an institution where deposits of money are received and paid, where credit is manufactured and extended to borrowers and where the exchange of property is facilitated.

404. Having first acquired the confidence of the community the bank extends its credit by purchasing interest-bearing securities, mainly businessman's notes, payable at a fixed time and giving the sellers the right to draw cheques upon itself payable at sight. The amounts thus authorised to be drawn are termed deposits, the bank being liable for them in the same way as for actual money deposited. Bank notes are the banks promises to pay money to bearer on demand.

405. So far no statutory definition of the term "bank" has been given in any of the Acts, either English or Indian. All that the English Bills of Exchange Act of 1882 and the Stamp Act of 1891 attempted to do in this connection was to define a banker as any person carrying on the business of banking. The Indian Negotiable Instruments Act of 1881, defines a bank as a corporation partnership or individual carrying on the business of banking.

406. In the same Act it is stated that a banker is a person who receives the money of his customer to be drawn out again as the owner has occasion for it, the customer is the lender and the banker is the borrower with the superadded obligation of honouring the owner's cheques upto the amount of money received and still in his hands.

407. From the scanty authority we have to guide us, it seems probable that a person cannot claim to be carrying on the business of banking unless he receives money on current account, honours cheques drawn thereon and collects the proceeds of cheques which his customers placed in his hands for collection.

408. The principal business of a banker is to receive money from the customers and to collect instruments representing money on behalf of his customers on the understanding that he will refund all moneys received or collected, whether on demand or at some definite date agreed upon between him and his customers.

He is also :—

- (a) a lender of money either by way of loan or by way of overdraft on current account ;
- (b) a discounter of bills and pro-notes ;
- (c) an issuer of draft, letters of credit and circular notes and an acceptor on behalf of his customers of bills drawn on the authority of letter of credit ;
- (d) an issuer of bank notes ;

- (e) a banker acts as his customer's bailee in taking charge of valuable property ;
- (f) a banker acts as his customer's agent :
 - (1) in buying and selling stock exchange securities on behalf of his customers,
 - (2) in making periodical payments,
 - (3) and a bank may act as a custodian and also a trustee or executor under a will.

409. We think it is high time the term "bank" or "banker" was properly defined and we propose the following definition and leave it to Government to make such modifications as it may think proper :

"Every person using the word "bank" or the word "banking company" or "banking house" "banking association" or "banking institution" or any word or words of import equivalent thereto in any foreign language, in a sign or in an advertisement or in a title to represent or describe his business or any part of his business without being authorised so to do by this Act or by some other Act in force in that behalf is guilty of an offence against this Act.

Every person who uses in a sign or in an advertisement or in a title to represent or describe his business words in a foreign language of import equivalent to the word "banker" or equivalent to the words "private banker" without being authorised so to do by this Act in force in their behalf is guilty of an offence against this Act."

410. *Vernacular scripts in banking apart from cheques.*—India as a whole generally and Bikaner specially has very little of banking education and specially in English, and if banking is to be made more popular in Bikaner State there should be a systematic introduction and use of vernacular in the operation of banks. We have suggested the formation of indigenous banks in the chapter on indigenous finance and if vernacular is used by them as also by other corporate bank wherever necessary or possible, we think it would give an impetus to banking. We recommend the extension of banking education in the State for the benefit of those who wish to adopt banking and money-lending business as their career and we therefore desire to give our opinion in brief in the following pages in regard to banking education.

411. *Banking education.*—The following are the existing facilities for banking education in schools, colleges and universities in India :—

- (1) *University of Agra.*—Theoretical banking education is imparted at colleges like the St. John's College, Agra, as a subject in B. Com. degree course.
- (2) *University of Bombay.*—Theoretical banking education is imparted at colleges like the Sydhmam College of Commerce, Bombay, for B. Com. and M. Com. courses.
- (3) *University of Delhi.*—Theoretical banking education is imparted for the subject of commerce including the principles and practice of banking for the B.A. pass examination of the University.

- (4) *University of Lucknow*.—Theoretical banking education is imparted for the B. Com. courses, in college like the Read Christian College, Lucknow.
- (5) *University of Calcutta*.—Theoretical banking education is imparted in connection with B. Com. courses.
- (6) *Punjab University*.—Theoretical banking education is imparted for the B. Com. courses. No information regarding other universities is available to this committee. The boys do not receive any banking training in any high school at present.

412. There are of course some professional colleges in India, *e.g.*, Davar's College of Commerce, Banking and Law, Bombay; Batliboi's Accountancy Training Institute, Bombay; and Punjab Commercial Institute, Delhi, which train students for banking courses. There are certain foreign institutions, *e.g.*, Mr. May's Banking Classes, South-Woodford and Mr. Harvey's Banking Classes, Birmingham, which impart very good training by correspondence for the examinations of the Institutes of Bankers in England, Scotland and Ireland.

413. There is no co-ordination of efforts in these universities, institutions and banks. The Imperial Bank of India has a system of recruitment for probationary assistants and *shroffs* but other banks generally do not give much weight to specialized training. The State Savings Bank has, however, laid stress on specialized training, and students are to be sent for the examination of the Indian Institute of Bankers, and this is certainly a step in the right direction.

414. The banks in India for the present do not provide any facilities for the training of boys in banking business, except the Imperial Bank of India and the People's Bank of Northern India, Limited. The Imperial Bank of India trains for higher appointments by direct appointments to probationary assistantship, while the People's Bank of Northern India has classes for training of students before appointment in that bank for clerks, accountants and agents or managers.

415. There is no definite system of recruitment by banks in India except the Imperial Bank. Even the selection of clerks by the Imperial Bank is not based on any principle or the bank's own examination. The co-operative banks in certain provinces have of course departmental examinations, and training classes for certain class of officers and assistants. The co-operative department of the Punjab is highly advanced in this respect and other provinces and States should follow the example of the Punjab.

416. As at present situated university banking education is simply theoretical as is obtained by students for the B. Com. Degree. Students trained by professional colleges and institutions for the examination of the English or Indian Institute of Bankers do partly receive practical training combined with theoretical training as the membership and examination of these institutes is open to bank employees only.

417. It has long been the practice in certain quarters to point the finger of scorn at the theorist in banking matters, to taunt him with the old proverb that "an ounce of practice is worth a pack of theory" and that "a little knowledge is a dangerous thing". Perhaps this tendency has been less marked of late years for not only in banking but in nearly every branch of human activity it has been recognized that scientific knowledge is desirable.

418. In spite, however, of this wide-spread thirst for information, it is wise to remember that the above time honoured proverbs still contain some truth in them. Banking certainly is a profession or business, whichever one may prefer to call it, in which the more practical virtues are altogether indispensable. Tact, knowledge of character, a clear head and a cool judgement combined with that capacity for facing infinite pains which has rather mistakenly been held to be the chief attribute of the genius, all these are required to make successful banker and without a considerable share of them no amount of theory will suffice.

419. Indian universities, therefore, should arrange for practical education of boys side by side with the theoretical knowledge of banking imparted to them. Certain engineering colleges in India send out boys for apprenticeship in various workshops, and just in the same way every student of banking should receive practical education in the office of a bank like the Imperial Bank of India. It should well be remembered that the theory of banking must supplement and not take the place of those business habits which are essential to success.

420. Banking education has very widely been developed in other countries, *e.g.*, United States of America, Canada and Great Britain and Ireland. Each of these countries has such institutions, *viz.*, the American Institute of Banking, New York; Canadian Bankers Association, Montreal; Hamilton Alexander Institute, New York; Institute of Bankers, London; Institute of Bankers in Ireland, Dublin; Institute of Bankers in Scotland, Edinburgh; who are doing excellent work for the education of boys and girls who may wish to take banking as a course. The American Institute of Banking has arranged correspondence chapter classes in each centre for five or more students and the students are given excellent opportunities and facilities for home training. Similarly, the Institute of Bankers in London has an excellent reference library and the examinations are arranged at any bank place convenient to the student. The various banks like the Bank of England and Barclay's Bank do take fullest advantage of the existence of such an examining institution and the employees of these banks are annually sent in increasing numbers to take up examination of the institute of bankers. This is not so in India.

421. In India each banking student should be afforded the opportunity of receiving practical training in a bank of standing like the Imperial Bank of India; Central Bank of India; Punjab National Bank, Limited, and various co-operative banks. Circulating libraries should be arranged by the head office of each bank and the Indian Institute of Bankers for purposes of reference by the students and employees of the various branch banks. Arrangements for banking films should be made for up country students and the general public. Hindi and Urdu editions of banking journals at cheap prices should also be made available to various co-operative societies, agricultural banks, village *sahukars* and indigenous bankers to infuse in them the spirit of co-operation and joint banking adventures on sound modern methods of banking.

422. The question of grant of scholarship for higher banking education in foreign countries should receive the consideration of the States and the Government of India. As a matter of fact each bank of standing should set apart a small portion of net profits as a reserve for foreign banking education and take steps to send out deserving students to foreign countries like U.S.A. and England with a guarantee to employ them on return in the service of the

bank. There should be some sort of law on the subject for the banking institutions in India.

423. The Government should also contribute rateably to the funds of such institutions and the Government aid in this direction, if permanent, will be beneficial.

424. An institution affiliated to the Indian Institute of Bankers is desired to be established in Bikaner State, and the institute should introduce banking courses in English and vernacular for the material use of the Hindi knowing public of Bikaner State.

425. The present position of the Indian institute of bankers is like other universities and colleges. Interested students do enroll themselves for the examinations of the institute, but nothing is done to encourage them by the various exchange, joint stock and other banks which is not only necessary but essential.

426. It is desirable that the Indian Institute of Bankers should be made a compulsory examination for each man entering into a bank service and no bank employee of any bank doing banking business in India or the States below the service of 10 years should be exempted from the examination of the Indian Institute of Bankers. There should be a law on the subject.

427. The educational activities of the Indian Institute of Bankers should be extended very largely beyond what they are mentioned in the syllabus of studies. The institute should have a paid secretary and the board of management should consist of members from various banks in India and representatives of Indian States should be given proportionate seats on the board.

428. There should be a research department attached to the institute and books suiting Indian conditions and Indian requirements should be compiled and published for the prescribed courses of the institute.

429. The courses of the institute should be divided into groups as follows :—

- (I) Agricultural and land mortgage banks.
- (II) Commercial banks.
- (III) Industrial banks with reference to cottage and joint stock industries.
- (IV) Co-operative banks and co-operative marketing.
- (V) A special course in bank advertising and new business department work.

430. The Board of Management should appoint sub-committees of experts to prescribe courses for the above five branches, arrange home facilities of training for students, conduct examinations, and watch changing law and administration, which the sub-committee should take upon itself to circulate amongst students and various banks in the country.

431. The institute should arrange for the publication and distribution of vernacular journals and play cards amongst the masses to show and make them realise the utility and usefulness of bank deposits and bank accounts.

432. There is no training of indigenous bankers just at present. There is a practical education derived from hereditary experience of father and son like the goldsmiths of England. Increasing complexity in banking business should now be the reason for the introduction of banking education in the community of indigenous bankers. This class in India is mostly the vernacular knowing class and vernacular courses are desired for them with special reference to the national and international exchange business. This work should be carried out by the council of the Indian Institute of Bankers by introducing vernacular correspondence chapters like those introduced by the American Institute of Bankers.

433. It may be stated without fear of contradiction that the imparting of banking education to indigenous bankers and its diffusion among other classes will certainly make them realise the importance of banking and bank accounts and this is the only way to eliminate in time to come the habit of hoarding. The increase of information and banking education will dispose them favourably towards joint banking adventures as was the case in England after the establishment of various guilds and institutions.

434. Commercial schools are desired to be established in centres like Churu, Sujangarh, Ratangarh, Bikaner and Sardarshahr affiliated to the Indian Institute of Bankers and recognized by the department of education, and proper arrangement for banking education through the medium of vernacular are desired to be made for the boys and girls of indigenous bankers.

435. There are good prospects present and future for boys trained in banking in India. In various banks in India, *e.g.*, exchange banks ; joint stock banks ; Imperial Bank ; State Savings Bank ; co-operative banks, not more than five per cent. are trained men and the rest are raw hands recruited for the routine work of the bank.

436. It must be remembered that "you cannot make a silk purse out of a sow's ear" and a raw junior clerk cannot fit himself for the management of a bank without efficient banking training. Given equal conditions in other respects, the man in any station in life who does his work intelligently is always superior to the man who obeys instructions blindly. Place these men in a position outside the usual routine to which they have been accustomed and the difference between them becomes still more apparent. In India the recruitment to higher service has so far been of untrained clerks and, therefore, they have not been able to make any headway in the growth of banking in India.

437. The man required should be in a position to do educative banking propaganda, infuse co-operative spirit in the local public, inspire confidence and attract investment and deposits. This can only be done by a highly cultured man in banking and as this class of men are not generally found the developement of banking in India has been very slow.

438. It may be stated that various banks failed because their executive employed untrained and unscrupulous branch staff and the result has been the unpopularity of the banks. Suspicion of their integrity, shaking of confidence, withdrawal of deposits and finally the failure of banks are the natural order of events in the history of bank failures. If this work had been handled by trained and honest men, the growth of banking business would have been very

rapid and the conditions would have been quite different from what they are to-day.

439. The present system of social, economic, and commercial education requires overhauling, if prosperity is to be ensured. It is difficult to suggest any definite scheme for social, economic, and commercial education and what is needed is the appointment of a central commercial education enquiry committee aided provincial and State committees, as was done in the present case of banking by enquiry. This is a very wide subject and rural uplift and prosperity depends in a large measure on a proper system of education which can be introduced after the submission and consideration of the report of such a committee.

440. The committee is of opinion that compulsory primary education based on the economic, social, and commercial conditions of the State should be made compulsory in the State to enable the peasantry, the land-owners and other classes to improve their lot.

441. The report of the commercial social and economic education enquiry committee should be introduced in the Bikaner Legislative Assembly for circulation and discussion and a bill for final adoption should be introduced on the recommendation of the select committee of the Assembly. Beneficial educative measures are out of the question without proper legislation.

442. To co-ordinate the work of all banking institutions there should be a central banking institution in the State incorporated by a special charter of the Bikaner Government or a special bill adopted by the Bikaner Legislative Assembly. The central bank should be a joint stock bank having a paid up capital and a mixed board of directors of merchants, indigenous bankers, co-operative registrar, financial experts and Government officials nominated by the State.

443. This bank should be the discounting house of private bills and *hundis*, the financing house of various banking institutions like the co-operative societies, indigenous bankers, the deposit house of various classes of people, the Government and municipal treasurer, the exchange house for negotiating foreign business on behalf of Bikaner merchants, the investment house for arranging for the sale and purchase of Bikaner or Indian Government securities, land, houses, Government and other properties, the clearing house for the encashment or adjustment of cheques, etc., of various indigenous bankers drawn on each other, clients of one bank on its branches, etc., the loan raising house for helping the local intelligencia and business experts in the development of industries and the floatation of joint stock companies by underwriting shares or arranging their sale, the marketing house for making arrangements for the sale of produce to Indian and foreign buyers and thus getting due profit to the producer by curtailing the profits of middle men. This house will serve the purpose of a bank like the Bank of England, Bank of France, Reichsbank of Germany or the Federal Reserve Bank and will be quite distinct from the land mortgage or any other banking institution.

PART VII.

CHAPTER XV.

INVESTMENT HABIT AND ATTRACTION OF CAPITAL.

444. *Means or institution in existence for encouraging investment habit.*—The existing institutions for the investment of savings are—

- (i) Government Post Offices.
- (ii) „ Postal Certificates.
- (iii) Bikaner State Savings Bank.
- (iv) Co-operative Societies.
- (v) Bikaner Government Loan.

445. There are people in the State who do not resort to any of these modes of investment, but purchase gold or silver for whatever they save. There are many reasons for it and a few may be enumerated below :—

- (i) Deterioration of rural industries.
- (ii) Social customs. Particularly on this side of India ornaments are considered essential to keep the prestige of the family. They are also given in dowry as *stridhan*.

446. It has been pointed out to us that the import of gold and silver in the State is heavy. We have received the customs returns, and the total imports on an average are Rs. 33,50,000 per year, which come to Rs. 5·154 per cent per head, and cannot be called high.

447. *Postal cash certificates.*—The postal cash certificates are popular throughout the State. The interest paid is sufficiently attractive but the period of loan, namely five years, is long enough. If the post office can issue certificates for six months or one year at a reasonable rate of interest, say 3 to 4½ per cent, it should induce a large section of the middle class of people to invest their savings in them.

448. *Postal savings banks.*—Generally middle class people resort to the savings bank. The rate of interest allowed is, however, low and if the Government can increase the rate, more people will resort to savings bank deposits.

449. *Bikaner State Savings Banks.*—The Bikaner State Savings Bank was inaugurated on the 18th July, 1928. The Bikaner State Savings Bank has deposits of the following amounts :—

		Rs.	as.	p.
1. Savings bank deposits	...	64,841	11	4
2. Current deposits	...	4,950	9	0
3. Fixed deposits	...	2,38,023	0	1

450. The rates of interest allowed by the Bikaner Savings Bank are as under :—

1.	Savings bank accounts	...	...	4 per cent.
2.	Current deposit accounts	...	...	2 "
3.	Savings bank <i>deposit</i> accounts	...	...	$4\frac{1}{4}$ "
4.	Fixed deposits for 2 months	...	...	$4\frac{1}{4}$ "
5.	" " " 6 "	...	...	$4\frac{1}{2}$ "
6.	" " " 12 "	...	...	5 "

451. No deposits over a year are accepted by the bank. The State has no account with the bank, and only private persons furnish the deposit.

452. The exchange business transacted by the bank in a year comes to about Rs. 4,38,000.

453. The Manager, State Savings Bank, was asked to draw up a scheme for extending and popularising the services of the savings bank. He stated in reply that this could be done only by working on strictly business lines and that time was of the essence for the extension of business of such concerns.

454. Branches have recently been opened at Bikaner city and Sri Ganganagar, and further development of business is yet awaited. The bank has rendered some useful service to the public at Bikaner.

455. *Co-operative banks.*—There are two central co-operative banks one at Bhadra and the other at Sri Ganganagar. The former has deposits amounting to Rs. 1,15,261 at 7 per cent. per annum, while the latter has just been started and has now a deposit of Rs. 35,000 at 7 per cent.

The deposit are steadily increasing and these institution through the village co-operative societies are creating a habit of thrift and the villagers are realising the advantages of saving.

456. *Class of population resorting to various institutions.*—The classes of population resorting to the various institutions which are working here are generally the middle class men either in State service or carrying on professions like vakils, doctors, *radyas*, as well as widows and orphans. There are certain deposits by other classes with the co-operative banks, while certain businessmen have accounts with the Bikaner State Savings Bank. No rich or poor classes have any appreciable amount of deposits in any of these institutions.

457. *Methods of attracting other classes.*—We advocate as to the importance of attracting other classes for the investment of their savings, but for this increasing facilities for investment are required. We understand that banks including branches of imperial bank, exist to-day in India in only about 300 out of over 700 towns having a population of 10,000 and upwards. In Bikaner State small banking facilities are afforded by the State Savings Bank at Bikaner and Ganganagar out of 13 towns in the State. That is to say other towns and villages in the State are without proper banking facilities. Something might be done to stimulate a demand for modern banking facilities by judicious propaganda work through vernacular papers and through other media. The great bulk of the population depends directly or indirectly on agriculture. Agricultural prosperity alone can bring about better mentality in respect of savings

and investment. When agriculture for the most part is a gamble and depends on rainfall, when, again, the prices of money-crops are dependent entirely on outside factors, when labour is becoming more costly and the cultivators' expenses are rising, it is useless to think that he will ever think of investing his savings in a profitable manner. In fact it is a struggle for existence which he has to face every day with little prospect of any substantial improvement. We are, however, not without hope. A true knowledge of the principles of co-operation and their direct application to his every day needs, coupled with the examples of a few properly organised villages on co-operative lines, may help him to arrive at the solution of his difficulties, and once he sees that the larger the number of shares in his own society as well as the amount of deposits, the better is the village enabled to purchase the necessaries at cheap rates or to supply itself with certain needs, he will exert himself to make his society as successful as possible, to his own and his fellow villagers' ultimate gain. This can be the only effective way of attracting capital from other classes than middle classes, who are mainly agriculturists.

458. *Existing facilities for purchase of Indian and Bikaner Government securities and other securities.*—The existing facilities for the purchase and sale of Government securities are :—

- (1) Imperial Government Post Offices, and
- (2) Bikaner State Savings Bank.

459. *Gold Cash certificates.*—Unless there is a gold currency in India, these certificates cannot be popular. What is desired is the introduction of certificates based on present day currency.

460. *State Savings Association.*—We would refer to the report of the National Savings Certificate Association in England. This is a very convenient method of effecting savings by the general public in any country. We desire to give below a brief outline of the scheme :—

(1) There should be a parent institution in Bikaner called the Bikaner State Mutual Benefit Society. To this should be affiliated other district and Tehsil societies. The object will be that of a savings and co-operative club conducted voluntarily and would enable to buy its members either the Bikaner Government loan certificates, or postal certificates by instalments on advantageous terms. The second scheme of the society will aim at raising funds for the protection of the families of its members or old age provision for themselves. This side of the society's work will be worked by means of a provident fund. The members joining the society shall pay monthly or weekly a stated sum which will accumulate for ten years and will be repaid as a fixed sum after 20 years to him or to his heirs if he dies earlier.

(2) The society shall be managed by a chairman assisted by eight directors representing various occupations and professions in the State and an honorary secretary. No remuneration shall be paid to any worker except the clerks and peons.

(3) Every branch society shall have an honorary secretary and an honorary treasurer, and wherever possible should have a chairman and also a small

committee to secure members and generally to assist in the conduct of the society. No member shall be debarred from office or from membership of the committee by reason of the fact that he is not a subscribing member of the society.

(4) *Application to the parent society.*—Application to the Bikaner mutual benefit society shall be made on the form provided for the purpose which shall be signed by the honorary secretary and honorary treasurer and which shall bear the names of such members of the committee as have been appointed. When the application is granted, a certificate of affiliation will be issued bearing the registered number allotted to the society, which should be quoted in all communications. There can be a number of branch associations in any town or village.

(5) *Duties of the honorary secretary*—It shall be the duty of the honorary secretary to receive the members subscription to invest them regularly and promptly in saving certificates, to acquire a policy of the death benefit or old age provision and ensure that the certificates or policies are properly issued to such members as become entitled to them. The honorary secretary shall also be responsible for keeping the books and accounts of the society in the manner prescribed by the parent society.

(6) *Duties of the honorary treasurer.*—It shall be the duty of the honorary treasurer to see that all the certificates purchased for the society are posted in the certificate register and to take charge of them until they are required to be issued to members and for the arranging for funds for the working of the society.

(7) The societies shall also be authorized to appoint collectors, and officers and frame rules for membership, subscription, distribution of policies and certificates, audit meetings, etc.

(8) The co-operative inspector of the circle shall be responsible for the organization of these in the same way as primary societies in villages.

461. *Growth of cheque habit.*—Since the inauguration of Bikaner State Savings Bank, cheque habit amongst the trading communities of the State is on the increase. The indigenous bankers and money-lenders in the State are already familiar with the use of the cheque as a very big section of their members trade in port towns and other big cities of India, and form a very large and powerful clientele of the banks there. With the establishment of a central bank in Bikaner State use of cheques will certainly grow. The use of cheques has not developed so far amongst the cultivators and other small traders, and the co-operative department can be the only medium to foster this habit in them.

462. The abolition of stamp duty by the Government of India has very materially helped the growth of cheque habit in India, and the use of cheques has been steadily increasing. The possible methods of stimulating the cheque habit is the education of the masses, and the efforts of the co-operative department, as also the extension of banking facilities.

463. *Vernacular Script in cheques.*—We have already stated that not more than 4 per cent of the Bikaner population is educated, and, therefore, in a community like that of Bikaner, if cheques in vernacular are introduced it would stimulate the growth of the cheque habit and ensure a wider and larger use of the same.

CHAPTER XVI.

SUMMARY OF RECOMMENDATIONS AND ACKNOWLEDGMENT.

464. (i) The indigenous bankers and money-lenders should be obliged to give receipts for all repayments of their loans by cultivators (para 49).
- (ii) A Short-term Loan Act should be introduced (para 104)
- (iii) There should be propaganda work for eliminating prejudice against publicity (para 108).
- (iv) There is need of bringing the cultivators and the agricultural department into closer touch (para 111).
- (v) There should be a special lending institution for long-term loans in Bikaner State (para 114).
- (vi) There should be separate *Takari* Rules in the State (para 128).
- (vii) There is necessity for special sale organisations (para 144).
- (viii) There is necessity for a chamber of commerce in Bikaner State (para 148).
- (ix) The Bikaner cottage industries in order to be revived should be financed by the co-operative department in the State (para 186).
- (x) There is necessity of a railway warehouse in the State (para 199 to 202).
- (xi) There is necessity of a Negotiable Instruments Act in Bikaner State incorporating the special usages and customs with regard to indigenous bankers and money-lenders (para 208).
- (xii) We recommend for the facilities to the co-operative department (para 240).
- (xiii) There is necessity for an Act for the protection of agriculturists (para 241).
- (xiv) There is necessity for a Money-lenders Act on the basis of the Punjab Regulation of Money-lenders Accounts Act (para 244).
- (xv) We recommend the extension of the provisions of the Insolvency Act to the Agriculturists (para 245).
- (xvi) We recommend certain facilities to indigenous bankers and money-lenders (para 330).
- (xvii) We recommend that steps may be taken to group indigenous bankers and money-lenders like the loan offices of Bengal (para 358).
- (xviii) We recommend the establishment of a central bank in Bikaner State (para 368).
- (xix) We propose the definition of a bank as in para 403.
- (xx) We recommend that vernacular scripts should be used in banks (para 410).
- (xxi) We suggest the revision of the system of banking education and favour the appointment of a committee (para 411 to 442).
- (xxii) We recommend the establishment of a branch of the institute of bankers (para 424).

(xxiii) We recommend certain methods for attracting deposits (para 457).

(xxiv) We recommend the establishment of a State Savings Association (para 460).

(xxv) We recommend the use of vernacular scripts in cheques (para 470).

465. *Acknowledgments.*—In concluding and in presenting this report we must express our cordial and sincere indebtedness to Sir Manubhai N. Mehta, Kt., C.S.I., M.A., LL.B., Prime Minister, Bikaner State, for his valuable suggestions and we owe to him more than we can acknowledge in the way of valuable advice. This report is the outcome of his keen interest in the work of the committee.

466. We are equally indebted to Major Maharaj Shri Mandhata Singhji Sahib, Revenue Minister and Minister-in-charge of Commerce and Industries, Bikaner State, for the valuable help he gave to the committee on many important points and very useful and important notes contributed by him ; as also the sympathetic way in which he placed his all office at the disposal of the committee for any information we needed. The Maharaj Sahib was always prepared to explain and render help whenever approached.

467. We also take this opportunity to record here the valuable help rendered to the committee in various ways by the following officers :—

1. Kanwar Prem Singh, Revenue Secretary, Bikaner.
2. Pandit Sitaram Vyas, Nazim, Suratgarh.
3. Pandit Raghbhardyal, Nazim, Sujangarh.
4. Mr. Ratiramsingh Chandhry, Inspector, Co-operative Societies, Bhadra.
5. Mr. Daulatram, Inspector, Co-operative Societies, Ganganagar.
6. Pandit Gopaldutt, Tehsildar, Sri Dungargarh.
7. Mr. Mukhran Chaudhry, Tehsildar, Bhadra.

468. Last but not least we are pleased to place on record our cordial appreciation of the valuable services of Pandit Brij Kishore Bhargava, our Secretary, upon whom has fallen the burden of organising our prolonged enquiry, collecting valuable information and helping the Chairman in drafting the report. His task has been performed with signal industry and ability and we must record that his valuable services deserve the kind consideration of His Highness' Government.

(Sd.) JAIGOPAL PURI, *Chairman.*

„ MATHRA PRASAD, *Vice-Chairman.*

„ NIHAL CHAND, *Member.*

„ MOHAN SINGH, *Member.*

„ RAMGOPAL MOHTA, *Member.*

„ SHIVRATAN MOHTA, *Member.*

(Sd.) B. K. BHARGAVA, „ RAMRATANDAS BAGRI, *Member.*

Secretary. „ KARTAR SINGH, *Member.*

„ HARI CHAND, *Member.*

APPENDIX A.

Names of State officers who submitted their memorandums to the Bikaner Banking Enquiry Committee.

1. Major Maharaj Shri Mandhata Singhji, Revenue Minister, Bikaner.
2. Thakur Mohan Singhji, B.A., Public Works Secretary, Bikaner.
3. Pandit Raghubar Dayal, Nazim, Sujangarh.
4. Mr. Lunkaran Mehta, Nazim, Sadar, Bikaner.
5. Pandit Sita Ram Vyas, Nazim, Suratgarh.
6. Pandit Chhote Lall, Superintendent, Court of Wards, Bikaner.
7. Babu Sher Singh, M.A., LL.B., District Judge, Sujangarh.
8. Babu Brij Bahadur B.A., LL.B., District Judge, Suratgarh.
9. Mr. S. S. Shukla, M.A., L.T., F.R.E.S., Lecturer in Economics, Dungar College, Bikaner.
10. Mr. Rati Ram Singh Chaudhri, B.Sc., Inspector, Co-operative Societies, Bhadra.
11. Tehsildar, Lunkaransar.
12. Tehsildar, Surpura.

Names of non-official gentlemen who submitted their memorandums.

13. Mr. Goverdhandas Sharma, Member, Municipal Board, Ratangarh.
14. Seth Hiralall Mehta, Rajgarh.
15. Seth Bhairondan Sethia, Bikaner.
16. Seth Chandrabhan, Karanpura, Tehsil Bhadra.
17. Seth Bhairondan Isardas Chopra, Gangashahar.
18. Seth Sinderlall Goenka, Churu.
19. Seth Khayali Ram Daga, Calcutta.
20. Seth Ramkishan, Bikaner.
21. Seth Kalu Ram, Bhadra.
22. Seth Prahlad Dass, Sangaria Mandi.
23. Babu Mahabir Parshad Gupta, B.A., Vakil, High Court, Bikaner.
24. Mr. Preamsingh, Anupgarh Tehsil.
25. Mr. Jiwan Ram, Honorary Secretary of High School, Sangaria Mandi.
26. Subedar Ganeshi Ram, Village Gundhia, Tehsil Nohar.
27. Subedar Maggha Ram, Village Kanasar, Tehsil Nohar.
28. Jamadar Ramsukh Ram, Village Moonsari, Tehsil Nohar.
29. Seth Phosraj Dugar, Sardarshahar.
30. Seth Hamant Lal Dugar „
31. Seth Chhagan Mal Dugar „
32. Seth Sheonand Dugar „
33. Seth Ramlal Agarwal „
34. Mr. Gordhan Chaudhri of Gotan, Sardarshahar
35. Mr. Bharta Vishnoi of Salandia.

36. Seth Bhikchand Golcha of Surpura.
 37. Mr. Lachman Singh Jat of Jasrasar.
 38. Mr. Nata Singh Jat of Jasrasar.
 39. Seth Anechand Golcha of Surpura.
 40. Seth Jagannath of Homasar.
 41. Seth Rupchand, Bazaz of Homasar.
 42. Mr. Amru, Chaudhri of Sadasar.
 43. Mr. Namlia, Chaudhri of Somalsar.
 44. Mr. Harchand, Chaudhri, Dabli.
 45. Mr. Lakhram, Chaudhri, Bhadra.
 46. Mr. Lakhram, Suratpura, Bhadra.
 47. Mr. Gangaram Sarraf, Bhadra.
 48. Mr. Ramkumar Janan, Bhadra.
 49. Mr. Sant Ram, Lukanwala, Bhadra.
 50. Seth Hardeo Dass Lakhota, Churu.
 51. Mr. Hardyal, Ureli, Tehsil Bhadra.
 52. Mr. Sheolall, Village Sahuwala, Bhadra.
 53. Mr. Ganpat, Chaudhri, Village Ninan, Bhadra.
 54. Mr. Khetaram, Village Gandi, Bhadra.
 55. Mr. Begram Chaudhri, Bhadra.
 56. Mr. Juhar Ram, Bhadra.
 57. Mr. Anandram, Bhadra.
 58. Mr. Gangaram, Vakil, Bhadra.
 59. Mr. Deepchand Morodia, Rajgarh.
 60. Mr. Gurumukhrai, Nohar.
 61. Subedar Major Agdi Ram, Bhadra.
 62. Seth Raghunath Kishan, Rajgarh.
 63. Mr. Lunkaran Vyas, Rajgarh.
 64. Mr. Bhomraj, Parakh, Rajgarh.
 65. Seth Harekchand Patni, Bikaner.
 66. Pandit Kishorilal, Bikaner.
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Names of gentlemen who have been examined orally.

1. Mahant Mavashi Nath Landlord, Sri Ganganagar.
2. Hakim Isardas of 18 F. T. Tehsil Karanpur.
3. B. Gulam Husain of 6 F. T. Sri Ganganagar.
4. S. Gurdial Singh of 14 F. T. Karanpur.
5. Subedar Dani Ram of B.H.H., Tehsil Ganganagar.
6. S. Ujagar Singh of 209, Ganganagar.
7. S. Richpal Singh of 199, Ganganagar.
8. B. Jamna Dass of 38, Ganganagar.
9. B. Kashi Ram of 3 B., Ganganagar.
10. S. Tejasingh of 39, Ganganagar.
11. B. Deo Dutt Mall of 29, Ganganagar.
12. S. Balwant Singh, B.A., LL.B., of 193, Ganganagar.
13. L. Brij Lall, Agarwal, Vakil of Ganganagar.
14. Mahashaya Ram Ratan, Merchant of Ganganagar.
15. L. Karam Chand, Merchant of Ganganagar.

16. Seth Sita Ram, Mundhra
17. „ Gopal Chand Swami
18. „ Ram Chandra Saraogi
19. „ Ganga Bishan Bhinasarya
20. „ Kaloo Ram
21. „ Badri Dass
22. „ Tilok Chand
23. „ Juhar Mal
24. „ Hira Lall
25. „ Likhmi Chand
26. „ Ram Ratan
27. „ Ka-hi Ram
28. „ Ram Narayan
29. „ Rugh Lall
30. „ Suraj Mal Saraogi
31. „ Nath Mal

} of Suratgarh Tehsil.

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32. Seth Pahlad Rai
 33. „ Doli Mal
 34. „ Ram Karan
 35. „ Thakur Mal
 36. „ Mani Ram
 37. „ Doongar Mal
 38. „ Ramji Dass
 39. „ Megh Raj
 40. „ Hazari Mal
 41. „ Sita Ram
 42. „ Ram Gopal
 43. „ Karni Ram
 44. „ Jawaharlal
 45. „ Madan Gopal Damani
 46. „ Poonam Chand Kothari
 47. „ Moti Lall Daga
 48. Mr. Sohan Lall of Messrs. Khem Chand
Man Mul, Wool Merchant

} of Hanumangarh Tehsil,

49. Seth Ganga Dass, Wool Merchant
50. „ Anand Mal Sri Ram
51. „ Kishan Gopal
52. „ Bhairun Dan Sethia
53. „ Deo Chand Bothra
54. „ Chaitan Dass Sethi
55. „ Ram Kishan
56. „ Shive Kishan Memani
57. „ Sri Kishan Dass Bhaiya

} of Bikaner.

58. Mr. Maqbool Ahmad, Proprietor of Vakil Boot House, Bikaner.
59. Pandit Ranjit Mal Vyas, Member of the Bikaner Legislative
Assembly, Contractor and Merchant, Bikaner.

60. Mr. Khuda Bux, Contractor of Bikaner.
 61. Mr. Mohan Singh of Messrs. Pratap Singh and Brothers, Contractors, Bikaner.
 62. L. Chunni Lall, Contractor, Bikaner.
 63. Seth Jagan Nath Damani Petrol and Motor Merchant, Bikaner.
 64. Mr. Kheta Ram Goluwala.
 65. „ Sahni Ram of Bikaner
 66. „ Hira Ram, Chaudhri, Aminwala.
 67. „ Jodha Ram „ Dulwana.
 68. „ Isar Singh „ Dhaban.
 69. „ Budhar Ram „ Ramsara.
 70. „ Ram Karan „ Dalwana.
 71. „ Tikoo Ram „ Dulwani.
 72. „ Farid Khan „ Lakhauwali.
 73. „ Jawagu Ram „ Sardargarh.
 74. „ Bhomla Singh „ Amarpura.
 75. „ Hamir Singh „ Govind Garh.
 76. „ Asa Ram „ Bhadianwali.
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77. Mr. Chandu Ram, Dhaban
 78. „ Lachman, Lilanwali
 79. „ Jetha Ram, Salehwali
 80. „ Mukh Singh, Hanumangarh
 81. „ Gopal Ram, Talwara
 82. „ Mota Ram, Navanagar
 83. „ Nanoo Ram Salehwali
 84. „ Mohna Singh, Dinagarh
 85. „ Mani Ram, Talwara
 86. „ Dhola Singh, Dhola Nagar
 87. „ Hamir Singh, Amirsinghwala
 88. „ Moti Ram, Hanpura
 89. „ Wazir Singh, Patties
 90. „ Mangla Ram, Sangaria
 91. „ Kamal Din, Nawoni
 92. „ Nawabdin, Nawori
 93. „ Zabte Khan, Bughia
 94. „ Kuhanji, Bilochia
- } of Tehsil Hanumangarh.
95. Seth Jeth Mal, Cloth, Corn, Sugar and Rice Merchant of Sardarshahar.
 96. „ Rawat Mal, Cloth and Lace Merchant of Sardarshahar.
 97. „ Kishan Lall, Grain Dealer of Sardarshahar.
 98. „ Budh Mal, Binja of Sardarshahar.
 99. „ Chunni Lall of Sardarshahar.
 100. „ Ram Kumar, Sarraf of Sardarshahar.
 101. „ Kalu Ram of Sardarshahar.
 102. „ Rugh Lall, Anchelia of Sardarshahar.
 103. Pandit Ram Pershad Dixhit of Sardarshahar.
 104. Seth Duli Chand Sethi of Sardarshahar.
 105. „ Hanut Mal, Dugar of Sardarshahar.

104. Seth Ram Lall Anchalia
105. „ Budh Mal Dugar
106. „ Mangat Rai Dugar
107. „ Kalu Ram Dhairwa
108. „ Phoosraj Dugar
109. „ Rawat Mal Bija
110. „ Ganeshi Lall Gadhaya
111. „ Rawat Mal Pucha
112. Pandit Ram Pershad
113. Seth Phoos Raj Dugar
114. „ Kalu Ram Dhariwal
115. „ Bal Chand Sethia
116. „ Hanut Mal Dugar
117. „ Girdhari Lall Tantia
118. „ Kishan Dayal Goenka
119. „ Mangat Mal Dugar
120. „ Budh Mal Dugar
121. „ Ram Lall Anchalia
122. „ Rawat Mal Sethia
123. „ Rugh Lall Anchalia
124. „ Kalu Ram Chandalia
125. „ Budh Mal Picha
126. „ Mool Chand
127. „ Budh Mal Bothra
128. „ Bhairun Dan Bothra
129. „ Chunni Lall Sancheti
130. „ Sukh Nand Agarwal
131. „ Duli Chand Sethia
132. „ Badri Das Chaudhri
133. „ Jai Chand Lall Chaudhri
134. „ Rawat Mal Chhajer
135. „ Dharam Chand Mundhra
136. „ Ram Kumar Sarraf
137. „ Sobha Chand Bothra
138. „ Sobha Chand Mundhra
139. „ Jeth Mal Pulasaria
140. „ Bakshi Ram Sunar
141. „ Abdulla Beopari
142. Mr. Abdulla Khan, Wool and Live-stock Merchant
143. „ Bishal Singh of Harasar
144. „ Buddha, Chaudhri of Girchio
145. „ Bhairon, Chaudhri of Girchio
146. „ Kano, Chaudhri of Girchio
147. „ Keshav, Chaudhri, Thairasar
148. „ Sukho, Chaudhri, Thairasar
149. Seth Baldeo Dass.
150. Pandit Gordhan Dass
151. Seth Rakhav Chand Vaid
152. „ Hira Lall Anchalia
153. „ Jaideo Poddar

of Sardarshahr.

154.	Seth Suraj Mal Kandoi	} of Tehil Sardarshahar.
155.	„ Jodh Raj Dhanuka	
156.	„ Jeth Mal	
157.	„ Mansukh Rai	
158.	„ Shayam Lall Bhartia	
159.	„ Hira Lall Jalan	
160.	„ Visheshar Lall Dhanuka	
161.	Mr. Sheo Karan, Wool Merchant of Sujangarh.	
162.	„ Chand Khan	} Oil Pressers of Sujangarh.
163.	„ Mubarak Khan	
164.	„ Akbar Khan	
165.	„ Abdulla Khan	
166.	Seth Jhunta Lall Bordi, Sujangarh.	
167.	„ Deo Chand Chopra, Sujangarh.	
168.	„ Mool Chand Sethia, Sujangarh.	
169.	„ Ganeshi Mal Lodha, Sujangarh.	
170.	„ Hazari Mal Rampuria, Sujangarh.	
171.	„ Bal Chand Kathotia, Sujangarh.	
172.	„ Khub Chand Dosi, Sujangarh.	
173.	„ Sancha Lall Vaid, Sujangarh.	
174.	„ Suraj Mal Tapan, Sujangarh.	
175.	„ Lachmi Narain Gagaria, Sujangarh.	
176.	„ Jaideo Magnotia, Sujangarh.	
177.	„ Magar Mal, Sujangarh.	
178.	„ Nathu Mal Saraogi, Sujangarh.	
179.	Subedar Sukhran, Tehsil Sujangarh.	
180.	Jamadar Ram Sukh, village Mohansaria	} Tehsil Bhadra.
181.	Chaudhri Harchand, village Dabri	
182.	„ Kheta Ram of Nohar.	
183.	„ Rampal, village Bhangarh	} Tehsil Bhadra.
184.	„ Ghanshyam, village Ninan	
185.	„ Ganpat Ram, village Ninan	
186.	„ Sheo Dayal, village Soovala	
187.	„ Megh Raj, village Melkeeri	
188.	„ Jai Karan, village Dabri	
189.	Subedar Harnand, village Jhansal	
190.	Mr. Dungar Singh Jat	
191.	„ Parbhu Ram Jat	
192.	„ Mangla Ram Jat	
193.	„ Falu Singh Jat	
194.	„ Tilok Chand Chaudhri	
195.	„ Sheo Nath Mall	
196.	„ Bhagwanta Mall	
197.	„ Sukh Deo	
198.	„ Makhan Singh	
199.	„ Heera Singh	
200.	„ Jiwan Khan, Qayamkhani	} Sujangarh
201.	„ Sardar Khan, Qayamkhani	
202.	„ Bhure Khan, Qayamkhani	
203.	„ Panne Khan, Qayamkhani	

APPENDIX B.

Comparative statement showing the progress of the co-operative movement in the Bikaner State from 1926-27 to 1928-29.

Item No.	Particulars	1926-27	1927-28	1928-29	Rate of Interest
1	Central bank	1	1	2	
2	Number of societies	48	64	77	
3	Number of members of societies ...	1,056	1,434	1,724	
4	Loans and deposits received from non-members	47,635	77,468	1,38,412	7%
5	Loans from Government	10,000	1,02,500	1,12,500	7%
6	Deposits from members	21	88	2,772	7%
7	Share capital of societies	21,124	10,874	43,233	...
8	Share capital of central bank	4,300	5,500	5,600	...
9	Reserve and other funds of central bank	309	1,194	2,500	...
10	Reserve and other funds of societies ...	1,420	1,413	4,243	..
	Total	1,14,819	2,29,037	3,99,260	...
11	Outstanding loans at the beginning of the year of the central bank ...	39,990	73,695	1,33,780	9%
	Fresh loans issued during the year...	45,253	76,765	40,678	9%
	Total	85,243	1,50,460	1,74,458	...
12	Repayment of loans by members ...	11,548	16,780	14,201	...
13	Loans due at the end of the year ...	73,695	1,33,680	1,60,257	9%
14	Outstanding loans at the beginning of the year by societies ...	38,020	90,377	1,94,815	12½%
15	Fresh loans advanced during the year	77,667	1,06,132	82,598	12½%
	Total	1,15,687	1,96,509	2,77,413	...
16	Repayment of loans by members ...	25,310	26,694	40,549	...
17	Balance outstanding	90,377	1,69,815	2,36,864	...

APPENDIX "C".

Any one requiring copies of this questionnaire can get them from B. K. Bhargava, Esquire, Secretary, Bikaner Banking Enquiry Committee, Bikaner, Rajputana. Replies should reach the Secretary before the 31st January, 1930.

BIKANER STATE BANKING ENQUIRY COMMITTEE.

QUESTIONNAIRE.

(NOTE.—The following memorandum is published in order to assist witnesses in the preparation of their evidence. It is not to be regarded as exhaustive nor is it necessary that each witness should be able to deal with all the questions.)

PART I.

A.—Agricultural Indebtedness.

In order to devise measures for the increase of credit facilities to the agricultural classes it is necessary to reach an estimate as accurate as possible of the existing indebtedness of these classes. Can you furnish any such estimate for your village, Tehsil or Nizamat or for the whole State? If not, can you suggest the manner in which such an estimate can be obtained with reasonable accuracy?

In such an estimate please distinguish between—

- (a) the amount of debt with land as security which is in the form of a registered mortgage.
- (b) the amount of debt which is incurred against any other assets, such as the village house, ornaments, ploughs and other agricultural implements, crops and produce, or debt which is given on the general security of all the assets without a specific pledge.

Please state wherever possible the purposes for which the debt was incurred such as—

- (a) the repayment of earlier debts,
- (b) marriage and other social occasions,
- (c) famine and other kinds of distress,
- (d) payment of land revenue,
- (e) growth of the debt by compound interest, interest not having been paid,
- (f) seeds and manure,
- (g) improved agricultural implements,
- (h) sinking of wells and agricultural improvements,
- (i) payment of wages to labourers,
- (j) litigation,
- (k) purchase of cattle,

- (l) purchase of land or bringing into cultivation fallow land,
- (m) construction or acquisition of houses,
- (n) education of children.

Who form the majority of these borrowers, persons owning more than an holding which will support an average family or those owning less than it? What percentage of persons owning land above 100 *bighas* borrow for these various purposes? What measures would you suggest for limiting borrowing for wasteful and unproductive purposes? How would you encourage borrowing for productive purposes by these classes?

Please indicate also to whom this debt is largely due and whether the creditors are Bikaner Government, co-operative societies, indigenous bankers, professional money-lenders or Zamindars.

2. What are the rates of interest charged by the various classes of creditors and the methods used for calculating interest and for enforcing repayments of debt?

3. How far in your opinion is the provision of credit facilities affected by existing legislation and legal procedure? Have you any suggestion to make regarding improvements in this respect?

4. Are financial difficulties responsible for replacement, on a large scale of small agriculturists by (a) bigger Zamindars and (b) money-lenders in the areas with which you are familiar?

5. Do you think a large number of people who are efficient farmers, are being turned into tenants for a period or tenants-at-will through the process of the enforcement of the old debts and of landed property passing into the hands of creditors?

6. If this process is going on, does it take away from the actual cultivator the incentive to produce more or cultivate his land in a more efficient or better manner? How far can this process be checked by legislation? Can you suggest any other method for counter-acting it?

7. Is it customary for Zamindar money-lenders in your village, Tehsil, or Nizamat to extract personal service or any other form of labour in lieu of interest on loans from borrowers?

8. Please describe the methods and effects of advances made in cash and in kind by particular money-lending communities or agencies such as Kabuli money-lenders to agriculturists, the operation of loan banks and the system of Rahti loans given by money-lenders to people of small means.

9. Can you state if the Contract Act of 1922 is being availed of in the State to any appreciable extent? What measures would you suggest for a free use being made thereof?

10. Would you suggest the enactment of legislation in connection with the publication and regulation of accounts of money-lenders? Would you suggest any legislation for the purpose of ensuring fair transactions between the money-lenders and the agriculturists?

11. Are there any Village Arbitration Boards or Village Panchayats in your village, Tehsil, Nizamat or the whole State? If so, is this agency freely resorted to for purpose of settlement of disputes between the money-lender and the agriculturist and is their decision effective?

B.—Finance for Agricultural Production.

12. Describe the present system by which the agriculturist (Zamindar and cultivator) in your Nizamat obtains finance for :—

- (a) expenses during cultivation,
- (b) capital and permanent improvements,
- (c) other special needs, *e.g.*, failure of monsoon, land revenue, etc.

Consider separately the cases of (a) small cultivator or peasant proprietor, (b) an owner of 100 *bighas* of land and (c) a large land-holder.

What proportion of it is obtained in kind, *e.g.*, seed, plough, cattle, etc. ?

What are the rates of interest charged in your village, Tehsil or Nizamat for advances for (a), (b) and (c) the periods for which loans are ordinarily taken, the nature of the security given and accepted, *e.g.*, standing crops, land, house property, ornaments, etc.,) and other conditions attaching to the grant of such loans ? Do you consider the rates of interest exorbitant. Are different rates of interest charged for cash advances and loans in kind ?

Describe the part played in financing agriculture for (a), (b) and (c) by Bikaner Government, co-operative banks, the indigenous banks and bankers, Zamindars, professional money-lenders, merchants and dealers, and any other organisations outside the State giving credit.

13. Does the cultivator freely borrow *takavi* under the Agriculturists Loan Act ? If not, please state the reasons. Are there any defects in the working of this Act ? If so, what remedies would you suggest ?

14. Is there co-ordination among the various credit agencies including Bikaner Government, and is there any scope for improvement in that direction ?

15. State defects, if any, in the present system of financing agricultural production and the reasons for the existence of such defects. Can you suggest any remedies ?

16. Can you give an estimate of the total amount of capital required at present for the various purposes, (a), (b) and (c) mentioned in question 12 above for your village, Tehsil, District or the whole State ? On what basis would you form such an estimate ? Is the capital at present available adequate for the purpose ?

C.—Finance for Marketing.

17. Can you name the marketing centres for the various crops in your village, Tehsil or Nizamat ? Does any of the produce taken to adjoining States or Government Mandis for purposes of marketing and the reasons for so doing ?

18. Describe the present method of marketing principal crops in your village, Tehsil or Nizamat or the whole State. What is the part played by the different class of indigenous money-lenders, co-operative societies and merchants and dealers during the process of marketing ? Is there any co-ordination amongst them and is there any scope for improvement in that direction ? What charges does the cultivator pay to (a) money-lender and (b) the commission agent or broker ? Are there any other incidental charges ?

19. How far can we do away with the middle man and curtail his profits ; and how can there be direct dealings between the producers and consumers ?

20. How far commercialisation of agriculture and agricultural produce is possible in the State? Is it possible to open new markets for the sale and purchase of various commodities which can be sold by the agriculturists or purchased for his domestic or field use with advantage and profit?

21. In what manner does the agriculturist store his produce :—

- (a) previous to taking it to market, and
- (b) at the market?

Is it possible for him to use grain so stored as security for obtaining credit?

22. Do you think licensed warehouses can be opened in the various Nizamats or Tehsils of the State for the storage of grain, etc., with corresponding advantage to the agriculturists and do you think there is any need for Bikaner Government assistance in the matter.

23. Describe the credit facilities required for the financing of produce during marketing and the facilities actually existing.

In regard to such facilities is there any special difference between the trade carried on between the various places in the State, between one place of the State and of other States or British India or between one place of the State and Foreign countries?

24. What different kinds of instruments of ownership of goods and produce, *e.g.*, railway receipts and documents are employed for raising money during the process of marketing?

Are any difficulties experienced in the use of these instruments and have you any suggestions to make with a view to removing these difficulties?

25. What are the possibilities of forming pools and of co-operative effort generally in the transporting and marketing of produce?

26. Have you any suggestions to make for the more extensive use of bills in internal trade in rural areas?

27. What are the existing facilities available to the Public for internal remittance, describe the part played by the negotiable instruments in the internal trade of the State and state any defects in the existing system and any suggestions you have to make for improvement?

28. What are the different classes of *hundis* current in your Nizamat and is there any difference or speciality in their form or duration due to the usage of the trade or customs of the place?

D.—Long Period Loans for Agriculture.

29. Is there any appreciable demand for long term credit in your village, Tehsil or Nizamat or the whole State, and if so, by which of the classes?

30. To what extent are loans available or obtainable for long periods in your village, Tehsil or Nizamat or the whole State on the security of land by—

- (a) landlords, and
- (b) tenants of various kinds?

31. Does the agriculturist freely borrow *takavi*? If not, please state the reasons. Are there any defects in the system? If so, what remedies would you suggest?

32. In your village or Tehsil or Nizamat what is the average value of land per *bighā* of different quality? What ratio does the annual yield of land of average quality per *bigha* bear to its market value under normal conditions?

What are the factors effecting such value? In your reply please distinguish between :—

- (a) value of land in Bikaner Government auction for non-payment of revenue,
- (b) value of land in the event of sale by court decree?
- (c) value of land in purchase by private negotiation, and also state the causes of difference.

33. Are there any legal impediments in your Tehsil, Nizamat or the whole of Bikaner Government to mortgage of agricultural holdings? If so, are they having any adverse effect on the agriculturist's capacity to borrow capital for long periods? Do you suggest any modification of the existing law?

34. Are there any special difficulties which you think will be experienced in the areas with which you are familiar in the way of raising money on debenture bonds through a mortgage bank if one is started by the State and can you state if their response would be sufficiently large to warrant the establishment of a land mortgage bank?

35. Are there any other kind of banks in your Nizamat for the provision of long term credit excepting the co-operative banks? If so, state what you know of the method of work and of raising capital?

36. If no such institutions exist in the State, please suggest the lines on which such institutions could be established and work to the advantage of landlords and tenants particularly with regard to the following :—

- (a) Management, directorate, the rights and votes of shareholders, etc.,
- (b) The amount of capital and the value of each share?
- (c) In case the share capital is not taken up by the public, should the Bikaner Government undertake the obligation of subscribing the balance?
- (d) What should be the period of the loans advanced by such a bank and what should be the margin between the amount of loan and the value of mortgage?
- (e) In what manner should land mortgage banks obtain working capital, *e.g.*, from :—
 - (i) deposits,
 - (ii) funds from a central institution,
 - (iii) debenture bonds,
 or all of these?
- (f) Should debentures carry Bikaner or British Government guarantee either for principal, or interest, or for both?
- (g) If debentures are not taken up by the public, should the Bikaner Government take up the balance?
- (h) Should the debentures be included in the list of trust securities?

37. On what terms should agricultural mortgage banks raise money under each of the heads mentioned above, with or without Bikaner or Indian Government guarantee, and on what terms should they lend out money so as to cover their expenses ?

38. What method would you recommend for calculating the value of land offered for mortgage ?

39. If the Bikaner or Indian Government undertakes any financial obligation, what measures would you suggest to secure it against unnecessary loss ?

40. Do you suggest any measures for—

- (a) improvement in the record of right and title of ownership so as to simplify reference, and to avoid possibilities of disputes and counterclaims by parties other than those who are the clients of the bank,
- (b) simplification of the process of foreclosure and sale by the mortgage bank in the event of non-payment,
- (c) reduction of costs of reference to the record of rights and of registration of records and of the process at law so as to reduce the burden on the good constituents of the bank in respect of charges incurred on account of defaulters ?

41. Can you suggest any other measures for the adequate provision of long term credit against sound security ?

Industries Subsidiary to Agriculture.

42. Give some idea of the small subsidiary industries allied or supplemental to agriculture existing in your village, Tehsil, Nizamat or State such as rice milling, dairy farming, *gur* making, garden produce, cotton ginning, sugar refineries, hand spinning, wool carding, etc. Are these industries suffering from lack of adequate capital ? What measures would you suggest for financing them on an adequate scale ?

43. Can you suggest methods by which any such industries could be encouraged and by which the producer might be enabled to get a better return for his labour and capital in these industries ?

44. To what extent will transport facilities provided by the State or by co-operative effort open a market for these subsidiary industries ?

45. Can you suggest any enterprises which may give employment to the farmer during seasons in which he cannot make full use of his time on his farm and thus enable him to supplement his income and raise his standard of living ?

46. What would be the best method of securing working capital for such enterprises ?

47. What financial machinery do you suggest for this purpose ?

Rural Co-operation.

48. Are the co-operative credit societies in your areas merely money-lending institutions or do they do any real banking business, *e.g.*, receiving deposits, etc. ?

49. State what you know of the relations that exist between the co-operative banks and the State Savings Bank and the indigenous bankers in the State.

50. Please point out defects, if any, of the co-operative credit societies in the areas with which you are familiar. Please suggest any remedies for removing them.

51. Describe any existing difficulties in the matter of financing in the case of co-operative banks both in regard to short and long term capital.

52. To what extent has the co-operative movement succeeded in meeting the financial needs of the agriculturists ?

53. Can you give an estimate of the amount of extra capital required for financing rural co-operative movement adequately in your village, Tehsil, Nizamat or the State ?

54. Have you any views regarding the possibility and desirability of granting financial concessions in order to stimulate the growth of the co-operative movement (e.g., by extension of special exemption from certain taxes to genuine co-operative societies, inclusion of debentures issued by Central Co-operative Bank in Bikaner in the list of trust securities, etc.?)

55. How far cash credit by co-operative banks have helped in the development of cottage industries in State ?

56. What subsidiary and allied industries to agriculture are capable of development in the State through co-operation and financing by the Land Mortgage Banks ?

57. Has co-operation resulted so far in the increase or decrease of indebtedness of the agriculturists ?

58. Has co-operation helped people to redeem their old debts totally? Has it led to the investment for productive purposes ? Has it infused the spirit of co-operation ? Has it raised the status of the agriculturists ?

59. Does the increase in the number of co-operative societies indicate the success of co-operation, or some other criterion be fixed to judge its success?

60. How far can an urban bank be a link between the village co-operative banks; indigenous bankers and joint stock banks in big cities ?

Non-Agricultural Credit and Indebtedness.

61. Can you give any idea as to the rates of interest and the extent of indebtedness of urban communities in the areas with which you are familiar. What banking facilities exist for them and what suggestions have you to make in this connection ?

62. Are there any local industries not necessarily allied to agriculture existing in your village, city, Tehsil, Nizamat or the State ? If so, have you any suggestion to make regarding financing them during the process of production or marketing ? Are their financial requirements adequately and satisfactorily met by the existing organisation ? If not, have you any suggestion to make in this connection ?

63. To what extent has the co-operative movement succeeded in meeting the financial needs of the small trader, and the industrialists in your village, Tehsil Nizamat or State? How far in your opinion, is the movement capable of meeting the financial needs of these classes ?

64. In what directions should the co-operative movement be extended in order to meet the special needs of the urban areas in your State.

65. Describe the part played by the different classes of banks and bankers and importing and exporting firms in the financing of foreign trade of State during the following stages :—

(a) Export trade—

- (i) from the village to the *mandi*,
- (ii) from the *mandi* to the exporting port.

(b) Import trade—

- (i) from the importing ports to the distributing centres in State,
- (ii) from the distributing centres to the consumer.

66. What are the terms on which the financing of trade during the above stages is done ? Are any difficulties experienced in this connection and have you any suggestions to make for removing those difficulties and for improving in any way the financial facilities existing for this purpose ?

Indigenous Banker and Money-lender.

(This class includes individuals or private firms receiving deposits, dealing in *hundis* or lending money other than the State Bank and Co-operative Banks.)

67. Please name the communities which practise indigenous banking or money-lending in the areas with which you are familiar.

68. State what you know of the functions of the indigenous banker or money-lender in your village, Tehsil, Nizamat or State, enumerating all kinds of business he transacts ? Does he combine other business with banking ? If so, to what extent ? What percentage of these indigenous bankers live exclusively or mainly on money-lending and banking ?

69. How and to what extent does an indigenous banker or money-lender, in your village, Tehsil, Nizamat or State assist in financing agriculture, trade and industry ? Do any of them invest in industrial shares or keep bank deposits to any appreciable extent ?

70. State what you know of the organisation of the indigenous banking system in your Nizamat or State with regard to—

- (a) the amount of capital invested,
- (b) the volumes of their business,
- (c) their expenses,
- (d) the relations between the village money-lender or banker and banking institutions and indigenous banks in the State, *viz.*, the State Savings Bank and the co-operative banks.
- (e) the adequacy of the facilities afforded by the State Bank to indigenous bankers.

71. State what you know of the various forms of *hundis* and other credit instruments used by the indigenous bankers and money-lenders, the extent of their use as compared to the use of rupees and notes, and the stage of production or marketing in which they are used. Give sample copies of any of the *hundis*, promissory notes, deposit receipts, etc., used in your locality.

72. State what you know of the indigenous banker's methods of granting loans and allowing cash credits and the terms and nature of these loans and cash credits.

73. What are the means by which the indigenous bankers and banks provide themselves with funds to meet the demands on them for funds? Distinguish in this respect between the village money-lender or banker, town banker and the big banker in Nizamats or State. Form an estimate, or indicate the means of forming an estimate, as to the extent of their deposits.

74. What are the rates of interest allowed on various kinds of deposits received by them? Do these rates vary in different seasons? What are the rates of interest charged by one indigenous banker to another (*sahukari* rates) with or without security?

75. What are the rates of interest either in money or in kind which the agricultural community has to pay at present to the indigenous bankers?

76. In what manner do you suggest these rates could be brought down by better organisation?

77. Would the reduction of such rates confer great benefit on the agricultural community and increase its resources thereby leading either to an improvement in the standard of living or enabling them to spend more on agricultural improvements, better agricultural implements, etc.

78. Is there a prejudice in your locality against the indigenous bankers?

79. Are the dealings of this class of bankers with their clients conducted on sound lines? If not, indicate the existing defects, making suggestions for remedying them.

80. After making allowance for the legal expenses, management charges, losses through foreclosure, can you give an idea of the net return to the indigenous bankers and money-lenders on their capital.

81. How many of the indigenous bankers or money-lenders have failed since 1920? Is their business generally declining or increasing?

82. Please state whether the indigenous bankers and money-lenders are able to meet all demands for accommodation or whether they are obliged to refuse any either on account of the unacceptable nature of the security offered or owing to insufficiency of their working capital?

83. What are the existing facilities available to the public, including indigenous bankers and money-lenders for internal remittance?

84. To what extent do supply bills facilitate remittances? Have you any suggestions to make for increasing their use?

85. State any defects in the existing system and make suggestions for improvement.

86. Describe the part played by negotiable instruments in the internal trade of the State.

87. Does money flow from one rural centre to another and from rural centres to urban centres during any season of the year.

88. Are bills of exchange payable at more than one year after date or sight in common, and what importance, if any is attached to them by the commercial community from the point of view of stamp duty?

89. Have you any suggestions for the introduction of the Negotiable Instruments Act in the State by which the public and the bankers handling *hundis* might be better protected or benefited ?

90. Are *hundis* emanating from your locality discounted in your local centre or are they sent to Bikaner and discounted there, or are they held by middlemen, merchants or commission agents ?

91. Have you any suggestions to make for the more extensive use of bills generally, (e.g., by reduction of duty on bills) ?

92. Do you think there is a large amount of money in the Nizamats in the hands of indigenous bankers which does not find employment throughout the year ?

93. Do you think that owing to this cause any large amount of money is flowing outside the State either for long or short periods ?

94. Do you think any kind of improvement in the organisation of lending or borrowing can be made by which these funds instead of flowing outside the State would find remunerative employment in the Nizamats and thereby benefit the Nizamats ?

95. At what rates are *hundis* purchased and sold in the *bazar* during the different seasons ? Does the State bank's *hundi* rate affect these rates ? If so, to what extent ?

96. Are these bankers sufficiently protected by law ?

97. Is there any legal or other facility which can be extended to them ?

98. Would you suggest any means of making this class of bankers more serviceable to the community ? Can they secure larger cliental if they are recognised by Bikaner Government ? What should be the terms and conditions of such recognition ?

99. Do you recommend any other facilities to be given to this class for this purpose ?

100. Could you suggest any means by which the indigenous banking system in State could be improved and consolidated ?

101. What do you think would be the attitude of the indigenous banking community towards the introduction of any measures for regulating their operations and for giving publicity to the same ?

102. Could you suggest any means of creating or increasing trade bills which the State bank or a reserve bank could discount ?

103. How in your opinion should the indigenous banking system be linked with the central money market of the State ?

104. Would you suggest the establishment of a branch of an Indian joint stock bank, or a local bank with local directorate in the State with which the indigenous system may be connected ?

105. In what manner could such a bank inspire the confidence of the indigenous bankers and be able to utilise the local knowledge and experience of the latter ?

106. How is the competition of such a bank with the indigenous bankers to be avoided ?

107. What suggestions have you to make in regard to closer connection (a) between the village banker and the city banker and (b) between the indigenous bankers on the one hand and joint stock banks including State bank, on the other hand ?

Investment habit and attraction of Capital.

108. How many of the agriculturists living in your village, have in your opinion got a surplus income over their necessary expenditure ? Estimate the total amount available for saving in your village, Tehsil, Nizamat or the whole State.

109. Can you form an estimate of the actual capital savings of the agriculturist in your village, Tehsil, Nizamat or the whole State ?

110. Can you give any useful information in regard to the habits of the people of the State to invest in silver and gold ? Attempt and estimate of the amount of gold and silver bought in your village, Tehsil, Nizamat or whole State since 1913 ?

111. Is the tendency towards hoarding increasing or decreasing ? Can you give an estimate of the amount of hoarded wealth (*e.g.*) valuable kept buried, ornaments, etc.,) for your village, Tehsil, Nizamat or State ? On what basis do you arrive at the estimate ?

112. Can you indicate clearly the habits of various groups of people or communities in your Nizamat or State with reference to moneys which come into their hands by sale of produce or through any cause ? Where do they keep this money and for what purposes and in what manner do they use it ? What has been the influence of co-operative societies and banks, insurance companies and provident societies in this respect ?

113. Do the farmers lend to fellow agriculturists and on what terms ? How do they invest surplus money in a prosperous year ? Give any information you can regarding the amount, growth and distribution of capital among the indigenous population ?

114. State what you know about the growth of cheque habit ?

115. What has been the effect of the abolition of stamp duty on cheques by the Government of India and can this be extensively used in the Nizamats of the State.

116. What classes of population use cheques ? Have you any suggestions to make for further promoting the cheque habit (*e.g.*, payment to Bikaner Government servants and bank employees above Rs. 100 by cheques) ?

117. Have you any suggestions to make regarding the use of vernacular scripts in banking ?

118. Do you support the view, that the banking and investment habit in State is of very slow growth ? If so, to what causes do you attribute it ?

119. What are the means or institutions in existence for encouraging savings and investment habits ?

120. Are the public provided with full facilities for the investment of their savings ?

121. Can the existing facilities be improved in any way or extended in the smaller interior places ?

122. Are State Treasury Cash Certificates popular in your District and can any steps be taken to increase their popularity ?

123. Do present interest rates of State Cash Certificates require revision and do existing terms of issue in any way need alteration ?

124. Does the State Savings Bank afford all possible facilities to the public ?

125. What classes of population resort to such forms of investment ?

126. Can anything be done to attract other classes ?

127. Will Savings Associations like those under the National Savings Movement in England help to popularise the Cash Certificates ? Have you any knowledge of Investment Trusts ? Do you advise the formation of such bodies in your Nizamat or the whole State ?

128. Can you suggest ways in which persons unwilling to earn interest on deposits can be induced to render such interest available for the economic development of the State ?

129. Have you anything to say regarding the alleged competition of the Imperial Post Offices with the existing State Banking Institutions in regard to deposits by their attractive rates on Postal Cash Certificates and Treasury Bills ?

130. State the existing facilities for purchase and sale of Bikaner Government securities afforded by Bikaner Government. Are you in favour of granting any special facilities to the small agriculturists and the small investors of the State to take up some form of Government securities ? If so, state what special facilities you recommend ?

131. State the existing facilities for purchase and sale of securities other than Bikaner Government securities, afforded by the various financial agencies ?

132. Have you any suggestions to make regarding the various possible means of educating the people of the State to invest their savings in productive undertakings, (e.g., propaganda by Bikaner Government in regard to Bikaner Government loans for capital expenditure, etc.) ?

133. As far as you know, what has been the result of the opening of new branches in recent days by the State Savings Bank ?

134. What are the existing banking resources in your District or State ? Do you consider them adequate ?

135. Can you suggest places suitable for the opening of State Savings Banks, co-operative credit banks, mortgage banks and branches of joint stock banks in the areas with which you are familiar ?

PART II.

Industrial Banks and credit facilities for Bikaner's main industries.

1. State with reference to one or more industries which you have had opportunities to observe the credit facilities required with special reference to (a) fixed capital expenditure or block, and (b) current requirements or floating capital.

2. Different methods of financing and different classes of paper or document are used in industries in connection with production, import and export.

What remedies would you suggest to prevent a recurrence of such failure or to secure timely assistance in such case?

9. It has been suggested that in some actual cases in the past where banks have been in difficulties, some plan for amalgamation or reconstruction instead of liquidation would have been in the public interest. Would you state your views on this suggestion and would you recommend any provision for securing that, before liquidation proceedings are enforced, adequate opportunities should be given for exploring the possibility of arranging a scheme for amalgamation or reconstruction? If your answer is in the affirmative, please make suggestion as to the sort of provisions which you have in mind.

10. It is complained that the cost of liquidation is high at present. Have you any suggestion to make regarding this point and for the reduction of such cost?

11. Are you in favour of making any distinction between current accounts and other deposits in the matter of protection of depositors and do you suggest any legislative measures for the purpose?

Do you recommend the creation of a special class of deposit as distinguished from current and fixed deposits and the passing of any special legislative measures for the protection of such deposits with a view to encouraging the investment of savings?

12. Have you any suggestions to make in regard to the proposal that is sometimes made that banks which are really stable should be legally protected against unjust attacks on their stability?

If so, please give your views as to who is to determine the cases in which such protection should be extended and in what circumstances, and also the nature of the protection to be granted.

13. What are the various taxes paid by banking companies? Do any of these taxes interfere with the development or amalgamation of banks? Have you any suggestions for modifying, removing or re-adjusting these taxes?

Do you recommend any special concessions, etc., in respect of particular classes of banks, e.g., co-operative banks, Bikaner State Savings Bank.

Banking Education.

1. What are the existing facilities for banking education in schools, Colleges and Universities in India?

Is there any co-ordination of effort between such institutions and the banks?

2. Do banks provide any facilities for the training of boys banking, business?

What is the present method of recruitment of staff by the Imperial Bank of India, the Indian Joint Stock Banks, the Exchange Banks and the Co-operative Banks and the Bikaner State Savings Bank.

3. How far is instruction in banking, theoretical and practical combined at present?

4. Can you give any information regarding the facilities afforded in other countries in the matter of banking education? Have you any suggestion to make regarding the facilities that should be made available in India?

Have you any suggestions to make in regard to the grant of facilities for higher training outside India to bank probationers and bank assistants in India.

5. Have you any suggestions regarding the constitution of the Indian Institute of Bankers or the Bikaner Institute of Bankers affiliated with the Indian or English Institute of Bankers ?

6. What is the present position and what in your opinion should be the future position of the Institutes of Bankers in regard to banking education ?

Have you any proposals of a practical nature for the provision of special training of this class.

7. What is the training of indigenous bankers at present ?

8. What are the prospects, present and future, of boys trained in banking in India ?

Do you attribute the slow development of banking and specially branch banking to absence of trained men in India ?

9. Do not the present social, economic and commercial education system require overhauling if prosperity is to be a reality instead of a mirage. How far legislation should be carried in these directions.

10. What should be the organisation of a good banking system in State to co-ordinate all Banking Institutions.

11.—*General Banking Organisation and Money Market.*

1. Do you find in the present organisation of banks and the money market in different parts of India and Bikaner State any defects which are likely to be remedied by—

- (a) administrative measures of Bikaner and Indian Government,
- (b) legislation, and
- (c) co-operation amongst bankers themselves ?

2. Have you any suggestions to make regarding greater co-operation between indigenous banks and other banks in India and co-operative banks, State Savings Bank and indigenous banks in Bikaner.

3. Have you any suggestions to make with regard to the organisation and functions of clearing houses in India and do you suggest the establishment of one in Bikaner affiliated with one in British India ?

4. Have you any suggestions to make with regard to the regulation of the bank rate ?

5. Can you describe from personal observation any financial panic which are set in any centre in Bikaner State or India ?

Explain its causes and state if you have any suggestions to make with a view to preventing any unjustified panic ?

6. Can you indicate the nature of frauds and malpractices which have been experienced by bank in India and which have from time to time led to stricter regulation and restriction of credit by these banks thus making *bona fide* constituents suffer ?

To what extent have such frauds and malpractices to be attributed to the inadequacy of existing legal provision and defective nature of business practices ?

Can you suggest any change which will afford protection to the banks against such malpractices without entailing any hardship on *bona fide* customer ?

7. Have you any suggestions to make with regard to banking organisation in Bikaner State or British India by which—

- (a) the cost of management may be reduced,
- (b) the rates of interest on advances can be brought down,
- (c) greater stability of banks can be assured, and
- (d) the cash resources of the various banks can be mobilised to meet any emergency or unexpected situation that may arise ?

8. Considering that the dividends of established banks are fairly high, what in your opinion prevents more capital being invested in the expansion of existing banks or the establishment of new banks in India and Bikaner State ?

9. Do you support the suggestion that Banks in India and in the State do not find a sufficiently large number of bills against which they could make advances and that this particular instrument of credit of which banking system in other parts of India or other countries make large use is not available in sufficient quantities in the State ? If so, what are the causes of this and what remedies do you suggest and is the condition prevailing in State identical or different than the one prevailing in India ?

10. Have you any suggestion to make regarding the organisation of the State Money Market with reference to settlement on any stock and produce exchange and establishment of independent market or a branch of the one in India ?

11. Can you describe the relationship that now exists in India between the banks and the various classes of brokers, such as finance brokers, *Hundi* brokers and exchange brokers and does that condition exist in the State also ?

12. Have you any information regarding the general agency business done by Banks in India for their constituents and what is the arrangement of bankers in State ?

13. How far have banks in India found the maintenance of their own godowns successful in meeting the trade requirements of their constituents, and is this necessary in Bikaner State and if so, on what system ?

14. Have you any suggestions to make for augmenting the resources of banks so as to enable them to afford further facilities to commerce, industry and agriculture ?

Would you recommend any one or more of the following methods for securing the increase in capital or would you suggest any other method :—

- (a) by way of foreign capital, *i.e.*, by direct floatations in other countries or through Foreign Banks ; or
- (b) by attracting the savings of the community, or
- (c) by funds made available by Bikaner Government, *e.g.*, a proportion of the receipts from savings bank deposits ?

15. To what extent have the Imperial Bank of India and other banking institutions in the various parts of India been serviceable to Indian interests in particular and—

- (a) the Bikaner Government,
- (b) Indigenous Banks in the State,

- (c) movement of crops,
- (d) any industries, in general ?

16. Have you any views regarding the present position of the Imperial Bank of India and the position it should occupy in the future and should a bank like this be established in the State either independently or affiliated with the Imperial Bank of India.

17. What facilities and concessions should the future State Bank enjoy from Bikaner Government, Municipal and other associations in the State ?

State if in your opinion Joint Stock Banks in Bikaner State and India should also be afforded similar facilities and concessions.

